

JPRS-LAM-87-078
21 DECEMBER 1987



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JPRS Report

Latin America

JPRS-LAM-87-078

21 DECEMBER 1987

LATIN AMERICA

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CARIBBEAN INDIGENOUS PEOPLES MEET IN ST VINCENT

32980013 Georgetown NEW NATION in English 30 Aug 87 p 1

[Text]

THE four-member Guyana delegation to the Conference on the Indigenous Peoples in the region returned home last week after meeting their counterparts from other countries in the region and pledging to meet regularly in the near future.

Sister Theresa La Rose, who enjoyed observer status at the three-day conference in St. Vincent, said that the conference has set up a steering committee to organise for future conferences and to ensure that matters pertaining to the indigenous peoples of the

region are thoroughly discussed at a forum specially designed by these people for their own welfare.

In addition to Guyana's Patamones and Akawais, the conference attracted the Black Caribs and Mayas of Belize and St. Vincent, and the Caribs of Dominica.

In Belize, the Black Caribs are called Garifunas. Like those in St. Vincent, they are the descendants of a union between runaway slaves and the Caribs. One Garifuna to the conference was Dr. Palacio of Belize. Dr.

Palacio is currently employed with the University of the West Indies as a sociologist.

While in St. Vincent delegates to the conference paid a visit to the Black Carib community on the island. According to Sister La Rose, these people have never been integrated, fully, into the St. Vincent society.

The Guyana delegation was headed by Cde. Ian Melville and included Cde. Philip Duncan, Cde. Desiree Fox — researcher at the University of Guyana — and Sister Theresa La Rose.

/13046

RUMOR OF CABINET SHAKE-UP; NEW MINISTRY ESTABLISHED

Cabinet Divisions

32980014a Belize City THE BELIZE TIMES in English 23 Aug 87 p 1

[Text]

BELIZE CITY

THURSDAY AUGUST 20, 1987

According to reports coming out of Belmopan, the Esquivel Government is rocking in the face of deep division among members of the Cabinet.

Now comes a reliable report, but still unconfirmed at press time, that the Minister of Commerce and Trade, Dito Juan, has threatened to resign blaming Government for all the problems he has been having in his Constituency in the Cayo District. In particular, Juan is in a running battle with Minister of Broadcasting Curl Thompson over the handling of the T.V. station in San Ignacio. The Belize Broadcasting Authority has closed down two of four channels formerly held by Mr. Ainslie Leslie. Leslie is the brother in law of

Minister Juan and there is the rub.

Meanwhile there is heavy pressure in Cabinet demanding the resignation of the Minister of Energy and Transport, Derek Aikman. The cause for this furor is the hiring without Cabinet's prior approval of the new Chief Executive Officer of BEB, Mr. Hugh Fuller, with a fantastic salary of \$30,000. tax free, together with Housing Allowance of \$1,500 monthly, and other perks.

The Cabinet shake-up also involves growing pressure to remove the Public Service portfolio from Home Affairs Minister Thompson who has completely lost the entire confidence of the Public Service after his recent blustering threats in the light of the salary adjustments.

Ministry for Economic Development

Belize City THE REPORTER in English 30 Aug 87 p 12

[Text]

The Esquivel Government this week announced the creation of a new Ministry which will be separate from the Ministry of Foreign Affairs but responsible to the Minister, Mr. Dean Barrow. It is to be known as the Ministry of Economic Development and is an up-grading of what is now the Office of Economic Development.

Announcing the change at his regular press conference, Prime Minister Manuel Esquivel said the new measure is largely administrative, aimed at improving the effectiveness of economic planning and development.

"At the moment there are several projects which are due to begin towards the end of the year which need to be monitored", the P.M. said, "and they need to have a staff which is well qualified to deal with the project proposals".

The Prime Minister said that one of the weaknesses of Belize is a lack of expertise in putting forward tight proposals that can move quickly through multi-lateral agencies.

/13046

UDP EX-LEADER, CDP FOUNDER ARANDA JOINS OPPOSITION PUP

32980014b Belize City AMANDALA in English 14 Aug 87 p 1

[Text]

BELIZE CITY, Fri. Aug. 14

The issue of THE BELIZE TIMES, official organ of the opposition People's United Party, published late yesterday announced that "the former leader of the UDP, Dr. Theodore Aranda has officially become a member of the People's United Party".

According to the TIMES, "In a statement to the press, Dr. Aranda is quoted as saying that with his entry to the PUP the * CDP organization now merges with the PUP".

The addition of Aranda, whose CDP had regional and international Christian Democratic connections, coupled with the recent PUP executive appointment of former Commissioner of Police Maxwell Samuels, means that the PUP has substantially replaced the right wing it lost when Sylvester and Hunter went off in 1985 to form their contra BPP.

Samuels and Aranda, moreover, added some Creole and Garifuna credibility to a party which has been viewed as top heavy with Hispanic executives.

For the PUP then, it is a major move in rebuilding their war machine for the campaigns of 1988 and 1989.

For Aranda, this represents an intriguing port of call in his political odyssey.

*[Christian Democratic Party]

A former Head of the U.S. Peace Corps in Belize, Dr. Aranda was a rising star in the firmament of the Dean Lindo led UDP beginning in the middle '70s, and when he won the Dangriga Town seat in 1979 for the defeated UDP, he was catapulted into leadership of the party because Lindo had lost his seat, and Aranda, Wagner, and Ah voted against Thompson and Goldson.

It became an awkward situation, with Aranda determined to run the disorganized UDP from Dangriga Town.

The UDP's axeing of the Doctor as leader in the latter part of 1982 was, however, one of the most clumsy political power moves ever; Aranda took it personally, resigned and charged the UDP with ethnic prejudice against him because he was a Garifuna.

Forming the Dangriga based CDP, Aranda played the strings of Garifuna nationalism skilfully between 1983 and 1985, becoming a thorn in the UDP side, but it would appear he now feels the need for the national stage which the PUP will offer him.

It will be interesting to watch how the popular, roots lawyer Simeon Sampson, hitherto considered the political/intellectual leader of the PUP in Dangriga, reacts to the Aranda/PUP merger.

DANGRIGA ACTIVIST IS NEW LEADER OF GENERAL WORKERS UNION

32980014c Belize City THE REPORTER in English 16 Aug 87 p 12

[Text]

A life-long working trade unionist from Dangriga, Mr. Francis Sabal, has been elected to lead the United General Workers Union as President.

At the National Convention held in Dangriga at the Pelican Beach Motel last week-end, members and delegates elected Sabal as President and Conrad Sambula, also of Dangriga, as Secretary.

Mr. Philip Balderamos was elected Director of Education and Hubert Smith, Treasurer. Three officers, Robert Guy, Harrison Smith and Raymond Mejia were elected trustees.

Last week's convention was attended by delegates from the UGWW's branches in Belize City, Stann Creek, Cayo and elsewhere.

Mr. Francis Sabal is a working

trade unionist who puts in his quota of work on the Stann Creek waterfront. He is Chairman of the Dangriga Branch of the UWGU.

UGWU, which suffered a crushing blow when branches in Corozal and Orange Walk broke off to form independent unions, continues to represent workers in Belize and Stann Creek districts in the following companies: Belize Estate and Produce Company Ltd., Storage Ltd., the Development Finance Corporation, Belize Food Products Limited, the Citrus Company of Belize Ltd., General Shrimp Ltd., and workers in the banana industry and on the waterfront of Stann Creek.

The waterfront in Belize City is dominated by the Christian Workers Union.

/13046

FIESP HEAD CITES CONCERN OVER MILITARY COUP RUMORS

33420016d Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Oct 87 p 10

/Interview with FIESP chairman Mario Amato, by Jorge Abduch; date and place not given/

/Text/ Even though he lost the vote at the latest meeting of the Businessmen's Informal Forum at which the Sao Paulo business leaders decided to deny President Sarney their support, Mario Amato, chairman of the Sao Paulo State Federation of Industries (FIESP), insists on his position: "This organization will continue to respect institutions and, whether we like it or not, at the moment President Sarney is an institution, as is Deputy Ulysses Guimaraes, president of the Federal Supreme Court..." In an exclusive interview with O ESTADO DE SAO PAULO, Amato justified his position in stating that last week's rumors of a coup have caused him great concern.

The FIESP chairman overruled the possibility of generalized lockouts as a form of protest to be made by the business community against the country's economic and political crisis and defended the gradual price adjustments as a means of avoiding an inflation explosion. Meanwhile, he criticized the public-administration sector pointing out that "the problems now facing us are a result of the public debt." As for the work being carried out by the Constituent Assembly, he again asserted that ratification of the job security measure is harmful to the country, but he recognized the need to create mechanisms which would prevent dismissal without cause: "Discharge almost for the sake of revenge must stop. Today's businessman has a social role to play, since he is the creator of jobs and has obligations toward the community," he said.

/Question/ What was your reaction to the rumors of a military coup?

/Answer/ This caused me great concern. I who lived with the military can now say that the military is one of the institutions which still functions, and functions 100 percent. You may have reason to complain about the executive, legislative and judicial branches, the working class and the business community, but you have no complaint about the military organization, particularly the Army. The military functions in a reliable manner and is called upon only when the people appear in the street and request its intervention. They are good people, patriots.

What concerns me is not its initiative but the possibility that it might be induced to do something out of the ordinary and create a problem of a difficult

nature. We are now experiencing a difficult situation in all areas. Are we going to make those situations still worse?

Question Do you think that there is a particular atmosphere?

Answer Not a particular atmosphere as such. But there are some who do not manage to win the game on the field and later want to win on the "turf." What we need to win now is found only in democracy, arguing, discussing, but confining it to that. Our field of action is the executive, legislative and judicial. Therefore, I was startled at what Figueiredo had to say, wanting to interrupt the progress of the new Constitution itself. This bothered me very much. That is why I spoke in support of institutions; for, whether we like it or not, President Sarney represents an institution, as does Ulysses Guimaraes, president of the Chamber. That is why I am demanding particular respect for institutions, Sarney, Ulysses and the Federal Supreme Court.

Question Despite the opposition of certain business leaders, will you continue to support the president?

Answer The position of the businessmen in this organization is one favoring order.

Answer What is your analysis of our current political and economic crisis?

Answer The situation is disturbing; but like what happened in Lebanon, it appears that the people are becoming accustomed to the situation; now that we are no longer displaying confidence, the employment level has ceased to drop. And if this continues, there will be reaction on our part and on that of the people and, in the last analysis, we shall end up negotiating, for there is no administration which can destroy this country.

Question Do you think that this crisis will be overcome while we still have the Sarney administration?

Answer I do. The advantage of President Sarney is that he is not vindictive and he is good. Perhaps this is his weakness--he wants to please everybody.

Question Might not this be the problem, for in that manner he does not manage to govern?

Answer It is not that he does not govern. He is trying to achieve harmony. He is a skillful politician and I believe that he will find the solution. It will take longer, but he will find the solution.

Question How do you analyze the polarization existing in the Constituent Assembly between the private sector and that of the state?

Answer What we need to understand is the following: It has been proved that not everything which the government does turns out well. So the moment arrives

when the government must take a position. We are now about 80 percent nationalized, and this has proved that nationalization does not create employment, does not create well-being and raises the public debt, the reason why all this is happening. It is time to change. Note that the situation in Brazil is difficult because of the deficit, and when I speak of deficit, I am not speaking of the number of government employees but rather of bad administration of the public sector. And this happens precisely when the government decides to take over the business sector. Everywhere else in the world emphasis is being given to the private sector. This is also the path Brazil must follow.

Question Do you agree with the program aimed at strengthening the private sector?

Answer The slowness of the process is explained by the difficulty which the government is encountering, but there is another fallacy--namely, that the government should revamp business in order, subsequently, to make it profitable; however, the government will not revamp anything and everything will be increasingly expensive. There are companies which, if simply shut down by the government with the losses written off, would be of much greater value to the administration.

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GENERAL GUEDES SAYS MILITARY WILL ACCEPT DIRECT ELECTIONS

33420016c Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 87 p 6

/Text/ Porto Alegre--General Edison Boscacci Guedes, military commander of the South, asserted yesterday in Porto Alegre that the Armed Forces will respect a possible decision by the Constituent Assembly to hold direct elections for the Presidency of the Republic next year, or even general elections. "If the Constituent Assembly reaches that decision, I have the impression that there will be no other course to take," said the general in a press interview. Questioned as to whether the holding of elections would be proper, the military commander of the South replied: "That question is not easy to answer. Since we have the executive, legislative and judicial branches already in office and in full swing in accordance with the present Constitution, are we then going to act in opposition to that Constitution whereby they were elected? Is this proper? If the Constituent Assembly thinks it is proper and gives a logical explanation, the people will accept the decision." In Gen Guedes' opinion, the present office holders have certain rights based on the present Constitution.

In his interview with the journalists prior to giving a speech to the members of the Federation of Commercial Associations of Rio Grande do Sul, Gen Guedes rejected any possibility of an institutional recession. "With regard to this proposed change, there is much fantasy, much conversation," he said and added that there is no "atmosphere" in the country for retrocession: "We must support and work with our leaders, the individuals elected by the people. We must cooperate with them, help them as much as possible so that our country can go forward and be the country that we all desire, the country which promotes the common good, the welfare of all our citizens." Continuing his point, the general asked: "If there were a coup, how many years would we retrogress?" And he answered his own question: "The number of years necessary to return to our present state of affairs. Therefore, it is much better for us, as of now, to put our house in order--if this can be done--than to retrogress."

Asked if he was concerned about the weakened position of the rank and file with regard to government support--as evidenced by the divergences between the PMDB and PFL--the military commander of the South praised the politicians: "The political aspect which we are experiencing is very serious; but it is in the hands of our politicians. As well as in the hands of our diplomats for whom we have great respect in view of their historic tradition. We must also have respect for our politicians who, I believe, are constantly improving. Our politicians are continuing to gain experience and will soon reach a consensus. It

is necessary for them to reach that consensus in order to aid the president himself in the evaluation of his new ministers."

Gen Edison Boscacci Guedes said that he is confident that the members of the Constituent Assembly can give the country a "complete charter, one that we can have for many years." However, he believes that it would be better if the Constituent Assembly could finish that task according to the initial schedule (15 November). In Gen Guedes' opinion, the transition process will be concluded with the publication of the new Constitution, which will represent "the country's political affirmation."

The military commander of the South said that he is not aware of threats made by leftist parliamentarians to solicit thousands of prominent votes at the plenary session of the Constituent Assembly if their proposals are not included in the Constitution being drafted by the Committee of Systematization; a development which could delay the project as much as 3 years. He then went on to say: "If this is happening, it involves individuals who do not want to see the new Constitution emerge, who want to initiate a different process, a process involving dissension, which no one would understand." And he added that a delay in the work of the Constituent Assembly would represent a delay in the political consolidation of the country itself, since the president of the republic looks to the Constituent Assembly before making decisions.

Moreover, Gen Edison Boscacci Guedes expressed the opinion that the recent manifesto published by former President Joao Figueiredo--in which he severely condemned the current administration--was "intelligent in one part and overly effusive in another." He did not choose to give any examples, saying that he could only do so if he "saw the document again."

The general declined to comment on the reports that the so-called "hard-line-military is allegedly using the Brazilian Association for the Defense of Democracy as an instrument to engage in politics.

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CABINET REFORM SEEN REINFORCING SARNEY'S NEGATIVE IMAGE

33420016b Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Oct 87 p 11

/Article by Bartolomeu Rodrigues/

/Text/ Brasilia--The meager ministerial reform announced last week by President Jose Sarney served only to reinforce the stigma which has been plaguing him since he first sat in the presidential chair on the third floor of the Planalto Palace: that of indecision and insecurity. On a number of occasions those characteristics have caused him enormous political damage, the most serious being the abrupt decline in popularity when he hesitated to adopt a series of corrections in connection with the first cruzado plan which had given the country the fleeting hope of living without rampant inflation.

President Jose Sarney's administration has been suffering a number of crises of the political and economic type, culminating in a break with the Democratic Alliance which led him to reflect about his role in government. After considerable reflection over a period of 2 weeks, Sarney gave every indication that he would in fact make certain changes in an administration which was clearly divided. He appeared on television, complained about the politicians and stated emphatically that he would assume complete control of everything. He went so far as to cause spokesman Antonio Frota Neto to tell the journalists that Sarney has the characteristic of backtracking, but only to a certain point--"after that he blows up."

Later, Frota Neto himself amended his remarks: "The president thinks twice before banging the table with his fist." He was referring to the consequences of that act, "for whoever strikes an object either breaks that object or hurts his hand."

The End of the "Little Club"

What appears more obvious at the Planalto Palace is that President Sarney is becoming increasingly indecisive, for he no longer has a circle of friends as in the past. When Sarney began his administration, Alvorada Palace was known as the "little club" and was frequented, among others, by businessmen Abreu Sodre, Dilson Funaro (later made ministers), Mathias Machine and Murilo Mendes. In most instances, the circle was completed by the presence of the son-in-law, Jorge Murad, and attorney Saulo Ramos who was later appointed consultant general of the republic, a position which he still holds.

The circle began to close with the first crises and, according to certain presidential advisers, Dilson Funaro, who received President Sarney's admiration and even affection, ended up being dismissed. The "little club" no longer meets and has even lost favor with Roseana Sarney, daughter of the president, who moved to Rio abandoning her job as adviser and no longer having palpitations over her father's attitudes.

Concerned over the insistence with which the president of the republic is being called insecure and indecisive in political circles, palace advisers began to offer alternatives whereby Sarney could reverse this negative image. Collective interviews held at the beginning of each 2-month interval was the first experiment. But until now the president has not decided when the next interview will take place. And even in the matter of knowing where he will relax this next weekend, he left his advisory group in turmoil. He had received two invitations: one from Governor Tasso Jereissati to enjoy Ceara's sun and the other from Fernando Cesar Mesquita, governor of Fernando de Noronha Territory. Friday evening, after much suspense, he decided: the old country place of Sao Jose do Pericumã in the vicinity of Brasilia.

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BORNHAUSEN ENDORSES CHAVES' PRESIDENTIAL CANDIDACY

33420016e Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Oct 87 p 5

Text Brasilia--"Faced with a political picture similar to that of the beginning of the 1960's, only the candidacy of Aureliano Chaves, minister of mines and energy, to the Presidency of the Republic through the PFL, mobilizing the oppositionist sentiments of the middle class in a legitimate and democratic election, will avoid institutional retrocession," said Senator Jorge Bornhausen (PFL-SC) yesterday.

After deplored what is happening to the president of the republic, his friend and war buddy, he said that in conversing over the weekend with almost 400 people in leadership positions in his state he did not find a single one in favor of playing a role in the federal government. "I am afraid that we are experiencing a situation similar to that which prevailed at the beginning of the 1960's, with a lack of government authority, a premature implantation of the parliamentary system, ordinary Populism and the risk of illegal solution."

Explaining what will occur, the senator asserts: "First, the implantation of the parliamentarian system of government with direct elections for the president of the republic and the election of Leonel Brizola; the holding of a plebiscite to restore the presidential system; the implantation of ordinary Populism; and, lastly, militarism. To preclude the possibility of these risks, we need the leadership of Minister Aureliano Chaves leading the middle class and Brazilian society in a legitimate and democratic election as a solution compatible with what the majority in Brazil wants."

According to Bornhausen, "the PFL is faced with a dilemma, having to choose between its actual position which is that of supporting its friend, Jose Sarney, and its logical position which tells it to take an independent position toward the government. If the PFL chooses to maintain its support for President Jose Sarney, it will continue to be a party of second category, physiologically incapable of measuring up to the aspirations of Brazilian society. If, on the contrary, it chooses an independent position, it will have only to win the confidence of that society."

The Santa Catarina senator believes that "everything indicates that the economic-financial situation is getting worse. Moreover, the failure to carry out the commitments made by the government and announced in the document entitled

'Development and Democracy,' which calls for a decrease in the administrative machine and support for private initiative, will induce the Constituent Assembly, which is the sound box of society, to accept direct elections for president of the republic in 1988." And in his opinion, in order for the PFL "to find its true identity and be the true instrument of democratic consolidation, it will need to take an independent position, moving away from the government and launching its own natural candidate" to succeed Sarney, Minister Aureliano Chaves.

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OPTIONS FOR THWARTING PARLIAMENTARY SYSTEM'S ADOPTION OUTLINED

33420016a Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Oct 87 p 3

/Article by C. C./

/Text/ Brasilia--Three options for thwarting the adoption of the parliamentary system were presented to President Jose Sarney yesterday. Upon landing in Brasilia early in the afternoon, having come from Mossoro in Rio Grande do Norte, while still at the airport, the president was given a detailed picture of the situation in the National Constituent Assembly by his closest advisers. If the situation continues as is, by Saturday the parliamentary system of government will be approved by the Committee of Systematization with a majority of seven votes. With this in mind, Sarney has only a few hours left, between yesterday and today and provided he so desires, to summon Ulysses Guimaraes, Marco Maciel and Aureliano Chaves to the Planalto Palace. He might ask them to unleash an out-an-out blitz against the members of that committee in order to turn the game around.

Aureliano, established in the morning as the number one leader of the PFL upon obtaining assurances of continued government support from the party's national directorate, can only profit by inducing four of his parliamentarian comrades to change their opinion. After all, he is undoubtedly the natural and dyed-in-the-wool candidate for the Presidency of the Republic on the liberal slate. He would not have entered the race to become the queen of England. Ulysses is also a candidate for the Presidency of the Republic. He obtained a significant victory during the recent crisis in the ministerial reform effort and could in turn work with four parliamentarians of the PMDB more likely to change position. This could alter the forecast that the parliamentary system of government will be approved by 50 votes against 43 and reverse the situation to 51 votes in favor of the presidency and 42 opposed. The matter is at the point where the names of the four liberals and four PMDB members considered most flexible are already chosen.

This option is termed surgical and it is not likely that it will be adopted by the president. After all, if it were a matter of bringing his weight to bear on the Committee of Systematization using government machinery, he would already have done so. The fact that he did not indicates that he considered the effort useless or unethical, a question of not mixing administration with politics.

The second option presented to the president is that of negotiating with the parliamentarians, that is, before or after the decision of the Committee of Systematization, accept the implementation of that system of government, but only after his term of office is completed. This would be the equivalent of a reasonable retreat, even though it would not become a reality. His previous declarations and promises to strive for the presidential system of government would be rescinded for doctrinal and political reasons, not personal.

The third strategy, and the most likely to succeed, is to let the Committee of Systematization ratify the parliamentary system, and even evince impartiality on the part of the government, but immediately begin to mobilize forces for the final battle, seeking to establish the presidential system of government when the subject comes up for discussion at the plenary session of the National Constituent Assembly within a month. A number of top-echelon palace advisers believe that this undertaking would not be difficult. In their opinion, the plenary spectrum is different from that of the Committee of Systematization. In the former, leader Mario Covas chose the PMDB representatives at random, many being parliamentarians of the Left associated with his leadership. The plenary session is different. It leans toward the Center. In it the government has the majority, further enhanced by PFL's recent reaffirmation of support. The blitz to be unleashed by Ulysses Guimaraes and Aureliano Chaves would be meticulously prepared with the support of the governors. There is a large number of deputies and senators subject to the influence and pressure of the governors, particularly since most of the latter are just beginning to exercise power. There is no doubt that there would be federal counterparts who would help them along.

That is how the cards were dealt yesterday. Everything will depend on Sarney. He is obviously aware of the many variables of those three options. Perhaps he will not obtain a decisive commitment from Ulysses Guimaraes in favor of the presidential system. The PMDB chairman never rows against the tide and, if he feels that his party is leaning toward the parliamentary system, he will remain with the majority. This is particularly the case since, wanting to be president of the republic, he does not mind seeing the government administered by a prime minister of his caliber--namely, by him--and in conditions under which he would bear most of the administrative burdens and responsibilities. With Aureliano Chaves it is another matter. He wants to be president of the republic for the sake of the honor involved and says that, if perchance he is elected in keeping with the parliamentary system, the least that he will do is add a prime minister of his own choosing after a week of getting acquainted. The problem is that the former vice governor of Minas is also reluctant to go against the current. To be a candidate he will need a united PFL.

Sarney was warned on more than one occasion, even yesterday, that if he did nothing, letting the process go at will, he would risk seeing the Committee of Systematization and the plenary session of the Constituent Assembly itself reduce his term of office to 4 years. It is not a pleasant picture to see the government in the hands of the parliamentarians, particularly after the ministry's minireform. The deputies and senators elected to play a role in the government, even the new head of the Ministry of Education, of the PFL, will soon begin to act politically, with a chance for success in collaborating with the proposed blitz.

The current presidential period will be established through temporary measures, that is, it will be determined at the conclusion of the vote either among the proponents of systematization or among those of the plenary session. However, there were some yesterday who favored a combined vote for the system of government and the term of office due to the close relationship of those two items.

From a party standpoint, things are where they always were. The PMDB was victorious in the recent crisis and promised in theory to support President Sarney's administration; but each time, when the moment of truth arrives, it backs away and does not lend its support. The case of the parliamentary system is a clear example, as could also be an extension of the presidential period. The PFL, responsible for all the confusion this past month, became worn out and failed to achieve the objective for which it was struggling--to divide the PMDB and obtain more representation in the ministry. Meanwhile, Sarney will succeed in changing the situation only if he decides to act in a firm manner and without delay.

8568

THREE NICARAGUANS REPORTED INCITING LANDLESS IN SOUTH PARA

Landless Invade, Pillage Cattle Ranch

33420001a Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Sep 87 p 26

[Text] Brasilia (AGENCIA ESTADO)--Eronides Souza Primo, district judge of Conceicao do Araguaia, Para State, notified Federal authorities that he had learned of the existence of three Nicaraguan activists who were reportedly training a guerrilla force in the Xinguara region and inciting the landless to invade the ranches of southern Para.

In giving this information to O ESTADO DE SAO PAULO yesterday by telephone, the judge said that last Friday there was an invasion of Bela Vista Ranch--owned by Jurandyr Goncalves Siqueira--in Conceicao do Araguaia. According to the judge, the invaders burned pasture and killed tens of head of cattle.

The owner--who had come to Brasilia to request help from the authorities--spoke to O ESTADO DE SAO PAULO from UDR [Pro-Agriculture Democratic Union] headquarters. He confirmed the invasion and declared that 73 head of cattle were incinerated and 300 head stolen. The employees of the ranch--together with the 10 policemen who had been sent there to ward off invasions--were reportedly driven from the property.

The judge confirmed the departure of the police but explained that they had left on his orders, in view of the fact that the 10 PM's [military police] were not equipped to remain at the site because--among other things--they lacked food, and also because they were too few in number to confront hundreds of landless persons who were well armed and well led.

Both the judge and the rancher accused the priest Ricardo Rezende--representative of the Pastoral Land Commission (CPT) for the Araguaia-Tocantins region--of inciting the invasions and arming the invaders. The judge said that the priest had recently been in Nicaragua to represent the homesteaders of the region at a conference, and that after his return, speculation had arisen concerning the presence of Nicaraguan guerrillas in southern Para.

The priest could not be contacted in Conceicao do Araguaia, but O ESTADO talked by telephone with Ana de Souza, coordinator of the pastorate, who said she was unaware of the presence of any Nicaraguans in the region. In her opinion, "it's one of Dr. Jurandyr's crazy ideas."

Ana accused the rancher of torturing workers, and of killing and beating homesteaders such as Joao Moreira de Souza, who was beaten to death, and of burning crops and 20 homes of farm workers. Ana further stated that Jurandyr personally directed the torture, which included beating homesteaders who had been nailed to wooden crosses.

Judge Confirms Subversion by Nicaraguans

33420001 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Sep 87 p 12

[Article by Special Correspondent Murilo Murca: "Judge Confirms Subversion in Araguaia"]

[Text] The judge of Conceicao do Araguaia, Eronides Souza Primo, yesterday confirmed that he had received information to the effect that three Nicaraguans--acting with the support of the Pastoral Land Commission--were reportedly giving paramilitary instruction to the landless of southern Para State and inducing them to invade ranches in the region. "Inasmuch as I do not have jurisdiction to resolve the problem," the judge declared, "and in view of the constant invasions of property and the violence, I reported these activities to the proper authorities and requested that they be investigated, for it is a matter that involves the national security."

"Generally speaking," he said, "there are no conflicts in southern Para. The troubles are manufactured by certain groups: by church organizations and politicians who have electoral or financial interests and who exploit the agricultural workers in an unscrupulous manner." In Souza Primo's opinion, these political groups are attempting to destabilize the government "by waging war against the legally constituted authorities."

The judge of the district of Conceicao do Araguaia also said that there is a great deal of foreign interference in the region. Immediately after he issued a court order for the police to occupy a disputed area in order to avoid violence, he received eight telegrams from Germany protesting his action.

Souza Primo refused to reveal either the source of the information concerning the Nicaraguans or to identify which authorities he had notified of the matter. He said he had been surprised to learn that during the most recent invasion of the Bela Vista ranch--owned by Jurandyr Goncalves Siqueira--the Military Police had discovered 16 well-constructed trenches (some reinforced with rocks) and other trenches dug in such a manner as to bar the way to vehicles, which upon falling into the trenches would have their tires punctured.

Denial by Priest

The priest Ricardo Rezende, CPT leader in Conceicao do Araguaia, denied that he had arranged for Sandinista guerrillas to come to southern Para to direct the invasion of ranches in the region. "I did indeed go to Nicaragua," the priest declared, "but it was in 1974 when Somoza was still in power, and I am unaware of the presence of any Nicaraguan citizen in Brazil--or in Para." He expressed regret that the district judge, Souza Primo, had made an accusation that prejudices Brazil's relations with a country with which it maintains friendly diplomatic relations.

The priest called the judge's accusation "fanciful" and accused him of being extremely biased in his decisions, favoring the large landowners and giving a free hand to the local gunmen and police, who--he says--are torturing and murdering defenseless homesteaders.

According to Father Ricardo, the attempt to create a climate of tension in southern Para resembles in every respect the circumstances that preceded the murder of another CPT leader, the priest Josimo Moraes, in May of last year. Father Ricardo appears on a list of six residents of Conceicao do Araguaia who have reportedly been threatened with death for defending homesteaders. He believes he will soon suffer the same fate as Father Josimo.

"The violence does not originate with the workers and homesteaders but rather with the large landowners and gunmen, with the complicity of the police themselves and the local authorities," Father Ricardo declared. "Many of our dead are neither faceless nor nameless and have a history," he said, recalling that this year alone a total of 18 persons have been murdered by gunmen. He accused the rancher Jurandyr Siqueira of ordering the beating of homesteaders.

Controversy

The violence in the countryside has been much discussed in Conceicao do Araguaia by lawyers, police, persons connected with the Church, and workers. Whereas the judge Souza Primo defends his accusation regarding the presence of Nicaraguans and Father Ricardo accuses the judge of favoring despotic large landowners and police who cause violence, the business community blames the government for everything that has happened.

Elviro Faria Arantes, president of the Agricultural Producers' Association of Xinguara, is asking the government to carry out a viable program of land reform that will enable the workers to remain on their plots of land, because if they do not receive assistance these groups will eventually leave their land in search of new land and join in the program of invasions promoted by the "guardians of the landless."

Slow Pace of Reform

According to the Association, land reform "is proceeding very slowly, and instead of carrying out a program of settlement the INCRA [National Institute of Land Reform and Settlement] ends up by merely distributing land to the workers, who have not been carefully selected and have been settled in areas that have no roads or schools, with the result that more than 80 percent of them have already sold their rural plots and have returned to the urban centers." If the government does not do its part, Arantes declares in a threatening tone, "the organizations of the agricultural sector, and their members, are prepared to fight with all means at their command to defend their rights and prevent injustice to their sector."

In a formal complaint, the CPT alleges that "the principal cause of the violence is the government's agricultural and land policy, which is a holdover from the era of the dictatorship. The geography of the conflicts coincides

with the geography of these vast projects. The concentration of the violence coincides with the concentration of these properties."

Jose Claudino, attorney for the Bela Vista ranch, which was invaded and pillaged last week, has only one hope for resolving the question: "Let the government stop interfering, inasmuch as it has not demonstrated any ability to resolve these problems; and let the parties resolve their differences through dialogue and negotiation."

Joelio Alberto Dantas, district attorney of Conceicao do Araguaia, believes that the amount of violence motivated by the land dispute is relatively slight in the region. "Last week alone there were six murders," he declared, "and the average is 120 murders per year, but hardly more than 10 of these are attributable to the land issue. That is not the principal reason for the violence in the region." In his opinion the violence stems from the population explosion in the region, brought about by a strong current of migration which over the past 5 years has resulted in an increase of more than 100 percent in the population. Today, the judicial power for a population of more than 600,000 is represented solely by District Attorney Dantas and Judge Souza Primo, who just yesterday received 1,476 cases for judicial action.

The Military Police, with a total of 270 soldiers, have no vehicles with which to patrol the region. As for the civilian police, when they do have a vehicle they have no gasoline for it; and when they make an arrest, they have trouble keeping the prisoner in custody at the police station, for the jail was destroyed last year. If ranchers or homesteaders need the services of the police, they must provide transportation and food for the policemen--and often even a daily wage.

In keeping count of the dead, both sides exaggerate. The same name will usually appear on both lists. The name of a farm worker will sometimes appear on the ranchers' list and also on the CPT's list. The CPT's list--which has been kept since 1980--contains the names of 132 killed, including even one case of a miscarriage allegedly caused by pressure brought to bear on Marli Rosa Mendes by ranchers.

Federal Police Can Act in Araguaia

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Sep 87 p 16

[Text] Brasilia (AGENCIA ESTADO)--Romeu Tuma, director general of Federal Police [PF], said yesterday that the PF will be able to intervene in the Conceicao do Araguaia region in the event of verification of the presence there of guerrillas from Nicaragua, as has been alleged by Judge Eronides Souza Primo--an allegation that is already being investigated. According to Tuma, the PF knows that the situation in the Bico do Papagaio region is critical, involving the deaths of homesteaders and ranchers, but only a more detailed investigation will indicate the next steps to take. If foreign nationals are found in the area in unlawful circumstances--if they are training homesteaders to invade land--the police will act decisively.

Tuma also spoke about police corruption. Although because of his religious convictions he does not advocate the death penalty, he believes that corrupt police--whether civilian or military--have no right to any kind of pardon. In the opinion of the director general of the PF, this is something so serious and monstrous "that even God would not hesitate to condemn it." He asserted that police who accept money from traffickers, bandits, murderers, or rapists should receive the maximum penalty in effect in our country, so that calm may be restored to the population. Tuma added that if the police establishment wishes to enjoy prestige and respect from the community, it cannot grant special privileges to its members nor tolerate any kind of deviant conduct.

10992

GOVERNMENT ALLOCATES CZ340 MILLION FOR CALHA NORTE PROJECT

33420001c Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Sep 87 p 2

[Text] Brasilia (AGENCIA ESTADO)--The Navy will build a river patrol boat; the Army will build highways and organize, transform, and improve the "special border components"; the Air Force will build airports; the Ministry of the Interior will carry out a demarcation of the border; and the Ministry of Foreign Affairs will expand the consular network on the border. All of this articulated activity constitutes one of the stages in the Calha Norte special projects, for the implementation of which the government has just authorized the expenditure of more than 340 million cruzados, which will be made available this month and in October.

According to the interministerial statement of policy that was approved by President Sarney and led to the release of the funds, the largest share--201.5 million cruzados--will go to the Ministry of the Army, followed by the Ministry of the Navy with 48.9 million cruzados, the Ministry of the Interior with 44.3 million, the Ministry of Aeronautics with 38.6 million, and the Ministry of Foreign Affairs with 6.1 million. To finance the administration and oversight of these programs, the Ministry of Planning will receive 444,000 cruzados.

In addition to expanding the consular network on the border, the Ministry of Foreign Affairs will also use a portion of its funds to finance the demarcation of the border; to arrange an Amazon Region cooperation treaty; and to develop technical cooperation with the adjoining countries. The Navy--in addition to building the river patrol boat--will also be charged with improving the port installations.

The authorization of the 340 million cruzados includes the funds allocated for the Calha Norte project for this year; for the 1988 budget, however, new budgetary appropriations have already been allocated and will be distributed by PROTERRA (Land Redistribution and Agricultural-Livestock Incentive Program for the Northeast and North) insofar as they relate to the integrated activities in the strip of land along the border.

The administration and oversight--by the Ministry of Planning--of the implementation of these programs requires that any follow-up funds be released only after the projects to be executed have been particularized. All subsequent follow-up funds will be released only after the fulfillment of the material and financial targets programmed in the previous period has been evaluated.

10992

CREDIT POLICY, WEAK MARKET THREATENS AGRICULTURAL GOALS

Future Superharvests Doubted

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 pp 54-59

[Article by Valdeci Verdelho: "A Harvest In a Climate of Misgivings"]

[Text] In a year in which almost all its programs and promises went by the board, the government can boast that at least the Agricultural Goal Plan is on track. Favored by weather that saved the country from prolonged droughts, intense cold or excessive rainfall during the entire cycle running from planting to harvest time, the cereal and oil seed harvest this year reached the record figure of 64 million tons, 17 percent more than the 54.6 million tons of the previous season. This despite the fact that the area planted did not increase beyond 42 million hectares, which means a significant increase in productivity in the majority of the agricultural regions of the country.

It has been a long time since Brazilian agriculture has shown so much vitality. Among the five main cereals, corn, for example, reached 27 million tons, very close to the goal projected only for the 1988/89 harvest (28.8 million tons). Declines, small ones, were recorded only by beans and wheat, crops that had a more accented reduction in the area planted.

The superharvest, as was already expected, spread its benefits from the domestic front to the external. In the first place, it easily guaranteed supplies to the domestic market, easing inflationary pressures, so much so that agricultural prices have been rising less than industrial prices, as is shown by the Wholesale Price Index, a concept of overall supply of the Getulio Vargas Foundation: 147.1 percent compared to 222.2 percent accumulated from January to July.

Moreover, agriculture produced respectable exportable surpluses, which is very important for a country that hungers for foreign exchange. This year, sales of agricultural products abroad should provide revenues on the order of \$10.5 billion, a sum 12.2 percent higher than that of 1986, and the only reason they do not provide more is because international prices for most commodities insist on not going up.

Doubtful Target

Understandably, the government expects the growers to maintain that rate of advance and established the goal for the next harvest at 70 million tons of grain. For that purpose, Minister of Agriculture Iris Rezende beckons with resources of about 350 million cruzados.

That goal, however, appears ambitious, to say the least. First of all, it is a matter of trying to increase production by 9 percent right after an extraordinary leap of 17 percent, well above the historical average recorded by the sector throughout past years. Moreover, agriculture shows a great lack of trust in the commitments made by the government. Finally, the conditions that are being offered for the performance of agriculture are not favorable: subsidies are already a thing of the past, minimum prices are below those asked for by the growers, and there is still the cost of devaluation for those who were not capable of insuring their harvest by resorting quickly to sale to the government.

Explosive Debt

Like the majority of the sectors of the economy, agriculture has every reason to look with scepticism at official plans. Last year, deluded by the dream of a country with zero inflation, abundant and cheap credit for the rest of its life, it took off full speed ahead for an increase in production. With 110 billion cruzados in credit for defraying the costs of production, and another 64 billion in credit for investment, it finally managed to attain the much sought superharvest.

However, when harvesting began early in 1987, the miracle of the Cruzado Plan had already come unravelled. Inflation broke successive records and consumption went into free fall. In that scenario, the farmers had no other alternative but to sell their products at minimum prices, at this time very unfavorable.

At the same time that revenues declined, the debts of the farmers to the bank networks snowballed, boosted by the variations of National Treasury Notes (OTN). This was particularly true of those who had taken money unjudiciously, which happened quite frequently. "Some growers even took personal loans with repayment periods of 3 months for the purchase of tractors, which are long-term investments," said an amazed Benjamin Martinez Martinez, chief of the Advisory Office for Economic Affairs of the Ministry of Agriculture.

No Favor

To prevent a generalized insolvency in the sector and to face the protests that were appearing throughout the country--including in Brasilia at the doors of Planalto Palace--the government granted an amnesty on monetary corrections to loans contracted after 1 March 1986 and coming due after 28 February this year. In short, it was a burden of 30 billion cruzados removed from the shoulders of rural growers.

Leaders in agriculture, however, do not consider the amnesty a favor nor a sign that the economic policy will finally cease penalizing the sector. "A scalded cat is even afraid of cold water," recalls Antonio Ernesto De Salvo, president of the Agricultural Federation of the state of Minas Gerais (FAEMG), to justify the climate of scepticism about the next harvest.

Confirming that trend, farmer unions and associations of the Rio Grande do Sul region of the middle and upper Uruguay even went as far as to distribute pamphlets to members suggesting that they not resort to bank financing.

Misrouting of Resources

Actually, even if the government were to honor its promises, particularly with respect to the credit policy, the situation is already a cause for concern. The amount of money at the disposal of the sector--the 350 billion cruzados announced by the Ministry of Agriculture--could perhaps not be enough. However its cost is the highest of the past years: Costs of production and investment cost the farmer 7 to 9 percent per year in monetary correction and interest, depending on the amount handled by the grower.

It is, without the shadow of a doubt, the always promised and always postponed end of subsidized rural credit, one of the pillars on which agricultural growth was based as of the 60's, along with the expansion of frontiers and encouragement for export crops. Rural credit went as far as guaranteeing real profits of 56.7 percent to the growers, as happened in the 1982/83 harvest, when its cost was around 45 percent compared to an inflation of 127.2 percent.

However, specialized technicians in Agriculture, and the farmers themselves, do not have any way to protect the continuation of rural credit subsidies, whether it is because of its negative impact on public spending, or because of its doubtful effects on agricultural activity. Martinez, of the Economic Affairs Advisory Office, emphasizes that the amount of financing for defraying the costs of production increased 45 percent last year, while the use of fertilizers increased 20 percent and the planted area less than 3 percent. "Certainly they misrouted resources for agriculture to another activity," he charges, saying also that the subsidy concluding by benefitting the manufacturers of materials more than it did their users. As Martinez sees it, the abolishment of the subsidy is going to result in a decline in demand and, indirectly, in lower prices.

More Realistic VBC

Flavio Teles de Menezes, president of the Brazilian Rural Society, also agrees with an end to the subsidy. However, in its place he wants to see a policy of more attractive prices. "The best incentive is provided via prices, because they benefit the one who produces and not the one who promises to produce," he says. A prominent leader in the rural area, Menezes knows that the subsidy in practice does not reach all growers, because the requirement

of ability to repay by the banks simply deleted the small ones from the list. Because of that, several distortions appeared in Brazilian agriculture in the passage of past years. "That which was accumulated in wealth in the rice-producing areas in Rio Grande do Sul came as the result of highly subsidized financing and not from the profitability of their productive system," says Guilherme Leite Silva Dias, former chief of the Ministry of Agriculture Economic Affairs Advisory Office, now back at the University of Sao Paulo.

Because of those criticisms, growers prefer to concentrate their claims for incentives to production on the establishment of a Basic Production Cost Value (VBC) and prices that are more realistic. With respect to the VBC, the changes made by the government for the coming harvest were well received by most of the sector. Such is the case, for example, of the automatic monthly updating on the basis of variations of the OTN, which insures an amount of resources compatible with needs, regardless of the progress of inflation. Such is also the case of the increase in the limits of the VBC for the large and medium cotton growers, for medium soybean growers (from 60 percent to 70 percent) and for the large corn producers (from 80 percent to 90 percent).

Discouraging the AGF [Federal Government Purchases]

While the VBC took care of the expectations of a good part of farmers, floor prices remained well below their demands. Basic food items obtained a readjustment that averaged 218 percent above prices for August of last year, while the products destined mainly for export obtained 205 percent. To evaluate what those rates mean, it is necessary to remember that the accumulated inflation for the 12 months ending in July reached 244.2 percent. With the objective of avoiding a mismatch up to harvest time, prices will be corrected by the amount of variation in the OTN from September this year to July next year.

However, the most discussed point of that new floor price policy was the creation of measures to deal with monetary devaluation [desagio]. The large and medium growers who sold their crops to the government from February to June suffered a loss of from 2 to 10.4 percent, depending on the month of operation. Received with true indignation by the producers, the monetary devaluation plan has the objective of discouraging Federal Government Purchases (AGF) made by the Production Financing Company (CFP) and that of inducing the farmers to negotiate their harvests with private enterprise. The decision came after the growing state involvement in sales was confirmed. This season, for example, the CFP was forced to buy 8.7 million tons of agricultural products, which correspond to 20 percent of all the production of corn, and 24 percent of rice production. "The CFP should have only a supplementary buyer function and it was necessary to create the mechanisms to achieve that," declares Celio Brovino Porto, director of economic analysis and planning of the CFP.

Degradation of Land

With all those challenges before them, it is natural that the farmers do not feel encouraged about the coming planting season. With the exception of cotton and soybeans, which have a prospect of good prices on the international market, all other crops may drop in price. There are already reports of reduction in the areas planted in corn and rice. Wheat growers announce they are going to replace that product with others that do not require so many expenditures. Beans, despite scant stocks, could give way to peas, as has been happening in the fields of Guaira.

"There is going to be no increase in the planted area," asserts De Salvo of the Agriculture Federation of Minas Gerais. In Parana, the leader of producing states, the climate is no more favorable. According to estimates by Nelson Costa, chief of the Economic Department of the Parana Cooperatives Organization, (OCEPAR), Parana farmers should plant the same area as in 1986 and, worse still, they should reduce the use of some fertilizers, with negative influence on productivity. Actually, that reluctance in resorting to the purchase of fertilizers and implements is fully justified when the decline in the value of exchange of agricultural products is noted: A ton of fertilizer, which in 1984 could be acquired with 17,500 sacks of soybeans, this year requires 25,700 sacks.

In some regions, incidentally, the cut in resources destined for the treatment of soil is already becoming a concern. Such is the case of Cascavel in the southeastern part of Parana, where the soil shows visible signs of degradation because of the lack of lime to correct acidity. According to technicians who work in that area, that was the main reason for the 15 to 20-percent decline in local crops.

Many Problems

Silva Dias of the USP [University of Sao Paulo], one of the fathers of the Agricultural Goal Plan, made it a point to warn that "the time is adverse" for obtaining a new production record, as Minister Iris Rezende insists. "There are no objective conditions for that," he declares categorically. The sector is facing the instability of the economic policy in general and also some individual problems such as the squeeze on imports of raw materials for fertilizers, the bottlenecks in storage capacities and the use of improper techniques for treatment and conservation of soil.

The analysis by Silva Dias coincides with that of Marcos Cintra Cavalcanti de Albuquerque, director of the Company Administration School of the Sao Paulo Getulio Vargas Foundation: "Uncertainty and high costs are intrinsic characteristics of Brazilian agriculture," he says. In that panorama, no matter how many efforts the government may make to prove the opposite, it becomes ever clearer that the superharvest is running the risk of being a happy exception in the recent history of the country, and not a real objective to be reached year after year on the basis of a stable and consistent policy.

[Box, p 3]

The Downfall of Cotton

The crop responsible for one of the first great economic cycles of the country, cotton today finds itself in complete decline, unlike the other products such as sugarcane and coffee that went through similar phases. In this last harvest, production was only 1.2 million tons, practically the same amount as 10 years ago. Its share in the line of agricultural exports--with estimated overall receipts of \$10 billion in 1987--will not go beyond 2.5 percent. This is an uncomfortable position for a product that once had second place in that ranking.

With the return of the policy of greater incentives for exportable agricultural products, some growers believe in the beginning of a recovery in cotton crops. In fact, the government is offering some benefits. The financing limit for the larger growers went from 40 percent to 60 percent of the VBC and for the small growers it increased from 50 to 80 percent. The floor price, also established recently, was not considered "of the worst." Because of that it is believed that the area planted could go beyond the 2.1 million hectares of the past harvest--half of the area planted at the beginning of the decade.

Good Productivity

In the opinion of former Deputy Sergio Cardoso de Almeida, today only a rural grower, the great obstacle to the increase in those fields in excessive meddling by the government. "If they respected the law of the market, cotton would be the best of businesses," he says, accusing the government of always forcing the lowering of prices and imposing export quotas to favor the textile industry. Cardoso de Almeida is one of those who stopped planting cotton on his farm at Ribeirao Preto, following the example of the growers of Guaira, at another time the "capital of the white gold."

"We planted 60,000 sacks of seed per year; today that amount does not reach 4,000 sacks," says Alexandre Muraishi, owner of the Sao Judas Tadeu farm of 484 hectares in Guaira. Today, in that region of northeastern Sao Paulo state, cotton is practically restricted to Ituverava, where the Maedas live. They are known as the largest cotton growers of the country. "It is sad that this should happen, because our productivity, which is over 490 arrobas per alqueire, is comparable to that of the Americans," mourns Muraishi.

[Box, p 4]

The Rise Of Peas

With more than 12,000 hectares of land irrigated by 217 spraying devices, Guaira, in the region of Orlandia in northeast Sao Paulo State, harvests from two to three crops per year and shows enviable levels of productivity, which make it a sort of Eldorado of national agriculture.

The largest crop in Guaira is beans: The most conservative estimates place it at 18,000 tons per harvest. However, the primacy of that product in the region is being seriously threatened by the arrival of peas. "I believe that in a short time it could take the place of beans," warns Farmer Carlos Zuquim Nogueira, owner of 1,355.2 hectares in Guaira, of which 314.6 are irrigated. He planted peas for the first time last year. They were only 16.9 hectares as an experiment. Satisfied with the results, he tripled that area this year and intends to increase it progressively.

Advantages In Costs

Until 1980, Brazil produced peas only at an experimental station of EMBRAPA in Rio Grande do Sul. That year, for example, the country imported 17,800 tons of the product, while local supplies were a laughable 21 tons. From then to the present, the leap was tremendous. In 1985 the national harvest was enough to take care of one-third of the demand. This year, import needs dropped to only 4,000 tons, since production is estimated at 22,500 tons. As of next year, the country will achieve self-sufficiency.

If it depended on the enthusiasm of the Guaira producers for the new crop-- it is estimated that 726 hectares were already planted for this harvest-- Brazil will have exportable surpluses: The planting of peas is naturally attractive. While beans depend on the official floor price policy, peas can be negotiated beforehand with large companies such as Cic, Etti and Arisco. The price is also advantageous: This harvest the price reached 36 cruzados per kilo, compared to 25 cruzados for beans. Moreover, according to estimates by Nogueira, production of one alqueire of peas costs 15,000 cruzados, while the production of beans costs almost three times that much. To conclude, incredibly it is not subject to withholding of the ICM (Tax on movement of merchandise) of 18 percent by the producer as are beans.

[Box, p 6]

Choose Your Program

It is not because of a shortage of special financing programs that the farmer is going to be without money for this harvest. Actually, there are so many and varied programs, generally identified by initials, that no one in government can say for certain how many financing options are offered by the Bank of Brazil, the National Economic and Social Development Bank (BNDES) or approved by the Central Bank.

The champion in alternatives is the Bank of Brazil. It offers loans for defraying the cost of planting with interest rates of 7 and 9 percent per year and monetary correction; complementary defrayment of costs at market rates for those growers who finance beyond the limits of the VBC to which they had the right; and credits for investment with interest rates from 7 to 9 percent, with monetary correction with periods of from 6 to 12 years. The bank also has the National Storage Plan (PRONAR), with rates of 10 percent per year plus monetary correction.

At the Central Bank, the choices are the Program of Investments in Agriculture and Livestock Raising (PROINAP) and the National Program of Support for Agroindustry. With its own resources and from the IBRD, the Agroindustry Program covers two lines: Credit for fixed investment with periods of periods of 10 years, with no payments during the first 3, and credit for operating capital for periods of 3 years plus one with no payments. Rates are 9 percent for the Northeast and 11 percent for the other regions of the country, in addition to monetary correction.

The BNDES has already contributed the Program of Credit to Rural Enterprises meant for integrated projects, with interest rates of 9 percent per year plus monetary correction. The bank is also prepared to finance infrastructures with resources from the National Development Fund (FND), charging rates of interest of 6.5 percent per year, in addition to monetary correction, to both state sector and private borrowers.

Lack of Rationality

Finally, there are options for investing in agriculture under favorable conditions, using the plans conceived for developing specific areas of the country. The Ministry of Agriculture alone participates in the implementation of seven of those programs: Program of Agricultural-Livestock Regions and Agricultural-Mineral Regions of Amazonia (POLAMAZONIA); Program for Integrated Development of the Northwest of Brazil (POLONOROESTE); Northeast Project; Special Program for the Development of Scrublands (POLOCENTRO); Special Program for the Geoeconomic Region of Brasilia (Geoeconomica de Brasilia; Special Program for Mato Grosso (PROMAT) and Program for the Development of Mato Grosso do Sul (PROSUL). All this without counting the resources destined for irrigation projects such as PROVARZEAS and PROFIR.

While the supply of programs is large, the lack of rationality in their execution is also large. In POLAMAZONIA for example, resources are divided up by eight ministries. Such fragmentation and confusion, at least on paper, does not go unnoticed in the offices of the Ministry of Agriculture. A recent report from the Secretary of Supervision and Evaluation of the Ministry states: "Programming for 1986/1987 amounts of 175 million cruzados for the execution of 430 projects; the fragmentation of resources and the political leanings of the customers continuing to impinge on the programs."

Shortage of Storage Facilities

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 pp 62-63

[Text] The first signals that this last harvest could exceed the initial forecast by almost 10 percent, attaining 64 million tons, aroused two immediate reactions in government sectors having to do with agriculture. The first, an obvious one, was euphoria at the historical breaking of the barrier of 50 million tons of grain, where the harvest had remained stationary for years. The second reaction, however, was that of concern because of the shortage of silos and warehouses.

According to surveys made by the Brazilian Storage Company (CIBRAZEM), the available physical network throughout the country, consisting of 16,000 storage units, of which only 715 are its responsibility, corresponds to a static capacity for 60 million tons of grain. Although in practice this capacity is greater due to rotation of stocks, certain spaces are untouchable in order that the country may maintain its strategic reserves of supplies.

The evaluation of the real shortage turned into a numbers game: To CIBRAZEM, for example, it is around 3.3 million tons. In that discussion, there were more than enough criticisms for all sides. According to Ministry of Agriculture sources, group entities that hold private storage facilities were the ones who most dramatized the losses of the harvest, because they had an interest in overvaluing their installations. The truth is that at the beginning of the harvest there was even a shortage of sites suitable for storing grains, forcing CIBRAZEM and the Production Financing Company (CFP) to adopt emergency measures.

Mountains of Corn

"We had to resort to primitive techniques such as storage in holes and ponds," confesses Attila Carvalho de Godoy, president of CIBRAZEM, explaining that ponds are areas surrounded by piles of sacks filled with some cereal and then filled with the bulk grain. Another recourse adopted was that of calling on owners of installations by radio and in the newspapers in the areas considered the most critical, to lease them to the CFP as storage facilities.

To the growers, the bottleneck in storage also caused many headaches. In Sao Joaquim de Barra, municipality where the State of Sao Paulo General Storage Company (CEAGESP) has the largest grain silo in the region of Orlandia, with a capacity of 100,000 tons, those who took their grain for deposit there faced a wait of from two to three days because of the lines of more than 200 trucks. "We have never had a movement like this before," said Mario Boldrin Neto, the manager of the CEAGESP of Sao Joaquim da Barra, where at the end of the harvest there was a mountain of more than 90,000 tons of corn.

Desperate, at the last moment many tried to join the Farmers Cooperative of the Orlandia Region (CAROL), owner of the silos that hold 214,000 tons of grain. They were rejected, however. "We cannot accept those who want to join the club on the eve of the Carnival," said Jose Oswaldo Galvao Junqueira, "Maninho," president of the CAROL, in justification.

Losing Money

Storage problems affected grain growers more than others, particularly those who for some reason or another delayed their harvest. At the end of June, for example, farmer Valdir Oyama Tocio of Guaira was forced to harvest 242 hectares of sorghum and sell it well below the floor price to a private buyer, because the cooperatives of the region were full and the grain was already falling from the plant.

The growers were not the only ones to lose money. The Mogiana Vegetable Oil Company (COMOVE) in Guaira, this year had to bear an additional expense of 5 million cruzados to deal with the shortage of silos. That was the cost of the operation of the drying unit, which uses 150 temporary employees from March to May solely for the purpose of conditioning the soybeans that the company has to buy to keep the plant in operation, but which do not fit into its 300,000-ton silos. "If the system of silos was adequate, we would not have that expense," argues Carlos Sergio Maria, manager of COMOVE.

Useless Installations

Problems of storage tend to become more aggravated for the next harvest, particularly if the goal of 70 million tons were to be reached. The physical network with a static capacity of 60 million tons should be increased by 4.4 million tons, thus totalling less than 65 million tons compared to the ideal level of 140 million tons. The most serious thing is that in addition to being small, the system of Brazilian storage facilities is poorly distributed. Sometimes silos are installed precisely where there is no longer any production because of the mobility of agricultural frontiers. Such is the case of 13 storage facilities built 10 years ago in the region of Santa Luzia in Maranhao, that in other times was a rice producer; but today has been turned into pastures. Since that situation is frequently repeated, a Sao Paulo company, Casa Bernardo, developed a type of silo that can be moved.

There are extreme cases, however, of storage installations built in areas where they were never needed, nor ever will be, swelling the list of megalomaniac projects that characterized the government in past years. In the so-called Polo Amazonico, for example, 12 storage facilities were built, but half of them never stored a single kernel.

[Box, p 63]

The five new warehouses that CIBRAZEM should inaugurate by the end of September in Rondonia, Mato Grosso, Bahia and Goias (two), with a static capacity of 50,000 tons, represent good news for the market. They dispense with foundations, concrete structures and masonry walls, precisely the most expensive parts and the ones that take the most time to build in conventional grain silos. They will take care of the main needs of the Brazilian storage program, which requires ease of construction and movement. "The new model is revolutionary because it can be removed at a very low cost," asserts Antonio Bernardo, who has been in the market for several years, producing warehouses of plastic and aluminum sheets. Baptized the "Agroportante," the new silo is best suited as the so-called collector warehouse, which is normally placed quite close to the growing areas.

Up to now the removal of warehouses was practically restricted to the inflatable warehouses made of aluminum or plastic, all subject to limitations, particularly the aspect of ruggedness. The Agroportante offers the same conditions of ruggedness and the same possibilities of operation as conventional silos.

Competitive Price

Installed on a concrete base, the Casa Bernardo model is made with sheets of pressed steel 6 millimeters thick, 40 centimeters wide and 1.1 meters long. The sheets are joined end to end from the floor, forming a free standing arch of up to 150 meters. The front part is closed with a tough plastic. According to company estimates, which worked for 2 years in the new project, the Agroportante can be erected in only 80 days, has a price that is competitive with conventional silos, and only 30 percent of its initial value is lost when it is removed.

Casa Bernardo plans to build silos with an overall capacity of 300,000 tons by the end of the year. At this time it is already building installation for three customers, all in the Center-West where shortage of storage space is the most serious. "The country lacks silos because it did not invest 2 years ago and our product has the advantage of allowing a rapid construction with the possibility of removal, accompanying the fast changes in agricultural regions," says Bernardo Neto.

Farmers Avoid Buying, Debt

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 pp 66-74

[Text] Demonstrating an unrestricted confidence in the Cruzado Plan, they turned to the fields last year ready to wrest from the soil a quantity of food never seen before in the country. For that purpose they purchased the greatest fleet of tractors of the past 5 years (55,200 units) and they used a record amount of fertilizers (9.6 million tons), all of which resulted in the celebrated harvest of 64 million tons of grain and oil seeds.

This was highly beneficial for the economy of the country in general, and for the industries that gravitate around agriculture in particular. However, the growers do not believe all their efforts were reciprocated. At the time of the inevitable confrontation between receipts and accounts payable, the conclusion was that they came out losers. During the price freeze of last year, the government managed to keep food under some control; the same did not apply to fertilizers and agricultural implements in general.

Decapitalized and incredulous, rural growers transmitted signals, duly received by the manufacturers of fertilizers and implements, that their orders will be quite a bit more modest for the next season. In addition to the reduction in the planted area, it is very probable that the purchases of more expensive equipment will be postponed, and there may even be a reduction in the use of fertilizers, which would be a shock to the recovery foreseen by those two sectors.

Loaded Lots

Last year the purchase of a simple tractor was subject to long waiting lines and the payment of premiums. Now, however, the situation is reversed. If the forecast made by Fernando Martins, sales manager of the Brazilian Tractor Company (CBT), comes true, the market is going to return to levels lower than those of 1984. "The sector is not going to place more than 40,000 tractors on the market this harvest," he predicts.

The picture is the same for his competitors. In 25 years of activity in one of the most dynamic agricultural areas of the state of São Paulo, the Orlandia Agricultural Implement and Machinery Company (OIMASA), a Massey Ferguson agency in 25 cities in the Orlandia region, has never had a period of such reduced sales as at the beginning of this year. Orders fell by half and the few interested in buying preferred the cheaper standard models. "The problem is that implements go up much more than agricultural products and the farmers become decapitalized," says Walter Bordignon Filho, manager of OIMASA, whose lots are now crammed with equipment. In recent weeks, Bordignon Filho began to perceive indications of a possible recovery of the market. Several customers dropped by to ask questions about prices, which can be interpreted as an intention to buy. However, it is feared that the high prices of tractors will drive away customers: The MF-290 model, the one most sold by Massey Ferguson, which last year cost 240,000 cruzados, in June cost 617,000 cruzados. At any rate, Bordignon Filho is not the only one to see the light at the end of the tunnel. José Maria Jorge Sebastiao, in charge of the Department of Agricultural Machines of the Machine Industry Union (SINDIMAQ), also believes in a resurgence in sales. To him, despite initial concerns, "optimization of agriculture is going to make the market easier to read and give more security to the grower."

Doubts About Supplies

In the area of chemical products, the picture is not much more favorable. A survey by the Paraná Agriculture Federation (FAEP) indicates that the average increase in the prices of fertilizers for this season by comparison with the past season was 219 percent. This was considerably more than the increases registered in insecticides (83 percent) and fungicides (152 percent). Aware that the farmers are sensitive to these figures, fertilizer manufacturers are moderating their sales projections.

"Consumption tends to diminish," admits Wilson Armelin, vice president of MANAH. The decline could exceed 10 percent, according to Trevo, the largest manufacturer of the sector with a share of the market of around 10 percent. Projections by the Union of the Industry of Agricultural Fertilizers and Correctives, head in the same direction, indicating a decline in consumption on the order of 10 percent. The only optimist is the president of the National Association for the Distribution of Fertilizers and Correctives (ANDA), Carlos Alberto Pereira da Silva, who expresses faith that the sector will repeat the performance of last year, when sales had an impressive increase of 21 percent over 1985.

The concerns of the fertilizer manufacturers, however, are not restricted to the trends in consumption. The Foreign Trade Department of the Bank of Brazil (CACEX) stipulated a quota for raw material imports of \$400 million on the basis of the sector's production in 1985. However, manufacturers advocate an increase of at least \$50 million. The restriction of imports also worries the National Association of Agricultural Protective Products Manufacturers (ANDEF). Although it accepts a decline of 10 percent in sales by comparison with 1986, the sector believes the import quota of \$200 million to be insufficient. "That will conclude by jeopardizing supplies to the market," warns Alberto Carvalheiro, president of ANDEF.

Soybeans Advance

In the case of improved seeds, rural growers do not have to fear about supplies. "Supplies are guaranteed," confirms Franco La Villa, marketing manager of AGROCERES. This is so because their use is still restricted for some crops. That is what is happening with beans and dryland rice, where the use of improved seeds is limited to 3 and 26 percent, respectively. In soybeans, wheat and rice, their use exceeds 90 percent. Seeds for soybeans this year will have a greater demand than last year, since this crop should advance into areas previously occupied by corn.

The superproduction recorded this year will also contribute to the supply of seeds for the next season. In total there were 2.1 tons of the principal grains (soybeans, rice, corn and beans) compared to 1.5 tons of the previous season. [As published].

Caution At Planting Time

While the superharvest of 1987 may have raised the spirits of the government with respect to agriculture, the same cannot be said about the rural growers. The minister of agriculture already speaks boldly of a new production record, which would at the same time exorcise the specter of price shocks and strengthen the figures of the trade balance even more. However, the farmers, mainly the small and medium farmers, show no intentions of investing heavily in increasing the area planted nor of increasing productivity.

Actually, there are more than enough reasons for this cautious attitude, which is found in several states, as was confirmed by EXAME in visits to growers of the regions of Parana, Rio Grande do Sul, Minas Gerais and Sao Paulo. Above all else, there is the fear that the credit policy will penalize them once more, leading them to insolvency as happened early this year. Moreover, it is feared that the government will again give in to the temptation to halt inflation at the expense of agricultural prices, or that the market will become too weak because of the consumer's loss of buying power. The following is an appraisal of the present state of mind of the farmers region by region.

Investments In Essential Things

Despite the stagnation with respect to the area planted in grain in Sao Paulo due to the increasing areas in canefields and orange groves, an increase in production of 9 percent was noted due to an improvement in productivity. Between one harvest and another, the general average for the state went from 1,767 kilos per hectare to 1,925 kilos. A large part of that change is owed to the growers in the northeast part of Sao Paulo, where Morro Agudo, Ituverava and Guiara are located. They produce a great quantity of soybeans, rice, beans and corn.

There are those who fear that even in those municipalities, where the most modern part of Sao Paulo agriculture is concentrated, there will be less abundant harvests in the next season because of the high costs of fertilizers and other chemical products, the uncertainty about financing costs and the lack of credibility of the government. "As an economy measure, the majority is not going to treat the soil properly and as a result productivity may decline greatly," warns expert Eizi Maeda, the owner of 653.4 hectares in Sao Paulo and another 847 in Goias.

He has more than enough reason to be concerned, because the last harvest was not in the least encouraging. Of the 16,700 sacks of soybeans he harvested, almost all were sold at 170 cruzados before the price went up on the market. That aggravated his financial situation, already seriously compromised after obtaining a loan that at the beginning of the year was costing as much as 35,000 cruzados in interest per day.

In Another Direction

In an attempt to improve productivity levels without great investments, Eizi Maeda opted for a practical and cheap solution. In all the area reserved for cotton he planted Bengal velvetbeans, a plant that is almost a creeper with a very short cycle, that allow the biological control of pests--its roots are slightly toxic and deadly to nematodes, a great enemy of crops. Moreover, the leaves after cutting serve as nutrients for the soil.

As for investments, he is going to make them away from the farms. Following the example of his cousins, he decided to build a cotton processing plant that is going to cost 60 million cruzados, enough money to buy a 484 hectare farm. However, the choice of agroindustry seems safer to him. "The governor asked that we invest in agriculture, but when they ask people to go in one direction it is better to go in another, because that will be the right way," says Maeda.

For the growers of the region, the great lesson of this year is that the superharvest undoubtedly helps the overall economy of the country but does not help the farmers in the same proportions. "I sold my soybeans for 170 cruzados per sack when my cost of production was 168 cruzados," protests Luiz Fernando Carvalho Dias, owner of 984 hectares in Morro Agudo, where he harvested 16,500 sacks of soybeans, 3,000 of rice and 12,000 of corn.

Entrepeneural Vision

The intention of Carvalho Dias for the next season is to plant 170 hectares of corn, 340 of soybeans and 80 of rice, in addition to other products not yet established, basically the same area as last year. However, when he made his order of fertilizers and other items at CAROL, Carvalho Dias was astonished at the prices. A ton of fertilizer was 250 percent higher than last season and certified seed soybeans had simply doubled. Since floor prices had not yet been set at that time, he found himself in the situation of someone making an investment without having the slightest idea as to its return.

In compensation, Carvalho Dias is going to use his own money, reducing financial costs normally included in production. In his opinion, the farmer should always be careful not to become indebted to the banks so as not to run the risk of losing the land. He believes that sometimes the growers are without capital because of a lack of entrepreneurial vision. "The magic resides in using good years for investing in your own business, thus minimizing the damage of bad years," says Carvalho Dias. He is one of the last ones to maintain the system of work with hired hands who live in settlements within the farm.

One who follows that advice to the letter is Margarida Leite Fabrino, who 13 years ago left a career as a teacher in Ribeirao Preto to devote herself entirely to the 290 hectares of land inherited from her father in Morro Agudo. "I try to spend the smallest amount possible because one cannot trust in the government," declares Margarida.

At first, let the truth be known, everything did not come up roses. The sorghum sprouted on the stalks because of too much rain and she had to appeal to PROAGRO, an official rural insurance program. This year, however, the harvest of 53.2 hectares of soybeans, 31.3 of corn, 14.5 of rice, 9.7 of sorghum, plus the raising of 260 head of cattle, gave a yield that did not leave Margarida yearning for her days as a teacher.

Sugarcane Threatens

Encouraged by those results, she decided to plant 96.8 hectares in soybeans, 48.4 in corn and 60.5 in rice. She is thinking of reducing pasture-land to increase cropland. The purchase of new implements--the farm has four tractors and a harvester--has been postponed until the costs of financing decline. Even her main project, the installation of a main irrigation pivot for watering 96.8 hectares, has been postponed. "In June, when I made up my budget, it cost 1.2 million cruzados, however in December they already wanted 4 million," says the alarmed Margarida. Without irrigation, productivity and profits are less, and operators of sugarcane mills take advantage of the opportunity to make tempting proposals. Early in the year her brother rented 145.2 hectares to a sugar mill and he tried to convince her to do the same. Margarida turned a deaf ear to the proposal.

Within Minimum Price Limits

The farmers of Palotina, Assis Chateaubriand and Terra Roxa use a very special indicator to measure the wealth of that western Parana region. Proud, they say they run a fleet of trucks, tractors, harvesters, utility vehicles and automobiles that already exceeds the number of inhabitants of the three municipalities. They could also boast of their high productivity, which is well above the national average. For example, they harvested nearly 5,000 kilos per hectare, when the state average does not reach 2,000.

It was attracted by this vigor that Oscar Luiz Frozza of Rio Grande do Sul left the forceps he handled for a long time at his dental office in Erechim (RS). Two years ago, Frozza began to devote himself full time to the Cristiano farm of 242 hectares in the district of Encantado do Oeste in Assis Chateaubriand. With 80 percent of the land planted in soybeans in the last harvest, he harvested 9,600 sacks, which were not sold until the market was paying more than 300 cruzados per sack, double the minimum price fixed by the government. When an accounting was made, Frozza estimates a profit of 60 percent over the amount invested in soybeans and more than 30 percent over the amount spent on corn, the two crops he planted.

He pledges to invest the results in his own farm to improve the houses of the three permanent employees and also for soil conservation. "I intend to obtain 150 sacks per alqueire," says the former dentist. If the good weather that has existed lasts until planting time, Frozza expects to collect "the best harvest of all times."

Selling The Land

Not all the farmers of Palotina, however, managed to come out with full pockets from the last harvest. Such is the case of Avelino Trentini, who has been in the region for 26 years. From an area of 135 hectares he harvested 2,500 sacks of soybeans and the same amount in corn. He sold the soybeans to the oil processors in February when the price was not more than 175 cruzados per sack. As for the corn, he preferred to feed it to his herd of 300 pigs as a way of cutting down on expenses.

At the end, the money collected was not enough to pay off his assumed financial commitments. Trentini had to sell 60.5 hectares of land, in which he planted irrigated rice, for 4.5 million cruzados. "That was the only way to resolve the situation," says the hardy farmer, who repents the day he decided to trade in the old harvester for a new one. The 200,000 cruzados he financed--the total price was 350,000 cruzados--swollen by financial surcharges, then jumped to 1.65 billion cruzados.

Trentini also places his hope of profits in the next harvest on wheat, which should occupy the areas planted in corn last season. Moreover, he is planning the integrated raising of fryers as an alternative to pigs, which are causing him a loss of 2,000 cruzados a head. Without any

illusions of recovering the land he was forced to "give up," Trentini hopes at least to improve his cash flow so that he will never have to resort to the banks again.

More Pastures

Even with the forgiveness of the monetary correction for those who took loans from the banks in 1986, there are many growers in difficulties because the measure did not consider all existing lines of credit. A typical example is that of Arnaldo Pradella, owner of 15.7 hectares in Palotina, who harvested 5,000 sacks of corn and 1,700 sacks of soybeans in the last harvest. He sold them at the minimum price. Poorly advised, he went looking for money for the purchase of a new harvester through PRONAGRI of the Central Bank. It so happens that this program--more responsive to agroindustry--is not contained among those benefitting from that amnesty. The results are that the 234,000 cruzados financed--the machine cost 381,000--are now more than 1 billion cruzados. Alarmed at that explosion of financial costs, Pradella is ready to pay it off ahead of time. To do that he will have to reduce the area planted and increase his pastureland, which requires less investment. At the same time, he will reduce spending on preparing the land. "That is going to lower productivity," admits Pradella, acknowledging, however, that there is no other alternative. "I paid to get into the dance and now I have to dance," he says ironically.

With Expanding Borders

In Minas Gerais, fourth largest producer of grains, this year's harvest was practically the same as the one before. That means an interruption in the dispute for space that the fields have been having with meat and milk herds, which are still the strong point of the rural economy of the state. Eligible for special benefits, such as those stipulated by POLOCENTRO and Projeto Campo in the Minas Gerais scrublands, many growers were attracted to the region and made money. Today, however, dragging their feet because of the poor credibility of the government, they are not very willing to make new investments.

Farmer Decio Bruxel, for example, only saw his wealth increase since he arrived in Patos de Minas 11 years ago from Nao-Me-Toque in Rio Grande do Sul. In that period he became the owner of 2,000 hectares of land, a transporter and a seed distributor. Now he is cultivating 240 hectares of tomatoes, 150 of peas, 90 of wheat and 20 of beans, all on 500 irrigated hectares. When the harvest ends at the beginning of September, that area will be planted in soybeans. That alone could bring him 21,500 sacks of soybeans next harvest. There is also rice, which is planted with other crops in nonirrigated land.

However, as far as depending on Bruxel is concerned, it will be difficult for next year's harvest to make the leap dreamed of by Minister Iris Resende. "I have a structure installed and I am going to restrict myself to it," announces the grower, denying the hypothesis of investments. Even his project of installing another central pivot to raise the area under

irrigation to 1,800 hectares is at a halt because there is not enough electric power in the region.

Diversification

For those who do not have so many resources and depend on the banks for making new investments, the great question is the cost of money for agriculture. "Today it is low, but tomorrow no one knows how high it will be," says Silvio Silva Pena, owner of 600 hectares on the Upper Parana, area being promoted by Projeto Campo. In the last harvest he harvested 5,000 sacks of rice from 122 hectares and 2,500 sacks of corn in 40 hectares.

With the objective of improving his yields without investing, Pena chose diversification of production. Therefore, this year he is going to plant soybeans at the expense of the areas reserved for corn and rice.

It Is Better To Rent

Investing in the purchase of more land to increase production is a dream that does not even spread to the youngest. Claudio Nasser of Carvalho, an agronomist of only 26 years of age--in charge of his family's 240-hectare farm in the area of Polocentro in Patos de Minas--is discouraged just looking at the progressive deterioration of his exchange power. "Last year I needed 2,000 sacks of corn to buy an 88-horsepower tractor. Today I need 3,000," he says.

Carvalho is going to plant 500 hectares in rice, 300 in corn, 90 in soybeans and 110 in beans--double the area planted last year. That increase, however, was only made possible due to the leasing of more land, which now totals 760 hectares. Leasing land instead of buying it is one way he finds for "not getting stuck." In practice, his strategy is a sort of insurance against the lack of a stable agricultural policy. "When I see that things are very difficult, I return the land, and fast," says Carvalho.

Disparity of Results

With a harvest of 14.6 million tons, Rio Grande do Sul is the second largest producer of cereals and oil-bearing seeds in the country, surpassed only by Parana. From its 7.4 million cultivated hectares will come the largest of soybeans and rice of the last harvest. This superiority, however, is not necessarily reflected by the situation of the growers, particularly the small ones, as in the case of Anildo Lohmann of Estrela in the region of Alto Taquari. In only 32 hectares, he has fields of manioc, potatoes, squash, corn, and even raises 40 head of cattle and 70 pigs.

Without being able to forego that diversification so as not to compromise his average monthly income of 26,000 cruzados, Lohmann is already facing some problems. If he had more land, resources for modernizing his installations and replacing his old tractor, the property could become more profitable. However, at 52 years of age, he no longer harbors that dream. After all, the business does not even arouse any interest in his three sons, who prefer to work for wages in the city.

They became discouraged from hearing so many complaints from their father. At the beginning of this year, for example, Lohmann was once more suffering losses from the raising of pigs. The government fixed the minimum price at 19 cruzados per kilo, but the market would pay no more than 17. On the other hand, a sack of feed corn cost 80 cruzados. In this manner Lohmann found himself further and further away from the possibility of paying off a debt of 20,000 cruzados he borrowed from the bank for the construction of a biodigester and a small corncrib.

Planting In Rotation

Lohmann would like to increase his planting of corn, which in his opinion would give good returns. He does not do it only because he needs financing for the costs associated with planting the crop. Like other growers, he is afraid to turn to the banks.

A much more comfortable situation is that of the large Rio Grande do Sul growers. With 1,200 hectares of land in Espumoso on the upper Jacui River planted in soybeans and wheat in a system of rotation, Primo Romano Comim estimates that the farmer provides him with an average monthly income of 400,000 cruzados. It is enough to maintain a house surrounded by all comforts, three automobiles and financial investments.

Proud of never having resorted to PROAGRO because good harvests always allows him to pay off debts easily, Comin produced 2,000 sacks of soybeans and 1,000 sacks of wheat in the last harvest [as published]. He plans to continue with those two crops and to keep up investments in productivity for the next harvest.

Soil Conservation

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 pp 72-74

[Text] With the planted area practically at a standstill by comparison with that of the last harvest, this year's superharvest must be credited in good part to a new leap in productivity. The national average, taking into consideration cereals and oil seed plants, was exactly 1,525.9 kilos per hectare, 17 percent more than the 85/86 harvest. Among the main products, only wheat and beans showed a certain decline. Some others, however, broke positive records. Such is the case of soybeans, with a productivity of 1,852 kilos per hectare; corn, with 1,836 kilos, and cotton, with 555 kilos.

Although favorable, those statistics do not reflect by far how high Brazilian agriculture can go. The race in the direction of productivity is just starting but has several obstacles before it. The most visible is the instability of the economy: Uncertainty as to the changes in costs of financing and agricultural prices, added to the loss of purchasing power by the rural grower, discourages the search for real and permanent gains in productivity.

Above all else, the farmer has to fight for survival. That is why, depending on the direction of the winds, he changes crops from harvest to harvest, losing an accumulation of knowledge and experience. Moreover, if the situation squeezes him too much, he goes through a period of not using fertilizers and postpones the purchase of agricultural machinery to a more favorable time, which in the final analysis means foregoing productivity.

Devastated Soil

It was precisely the progressive impoverishment of his 350 hectares of purple land that made Mario de Souza Cardoso, a soybean and wheat planter in Cruzalia in southwest Sao Paulo, seek out an agricultural planning and technical aid company in the city of Assis (SP). Fifteen years ago, each hectare of the farm prepared with the heavy plow-harrow--the "gradao"--and with the harrow-leveler--two traditional instruments in Brazilian fields--yielded 2,800 kilos of soybeans and 1,800 kilos of wheat. Today its productivity is barely equal to the regional average: 1,00 kilos of soybeans and 1,200 kilos of wheat.

A similar problem affected agricultural technician Lindolfo Jacinto Jr. He relates that around the middle of the last decade, when he began to manage the 480 hectares of the Santo Antonio farm in Floresta, near Maringa in the northern part of Parana, soybeans and wheat already had taken the place of coffee and came together with a "technological package" in which the treatment of the soil was based only and exclusively on the passage over the land of the "gradao" and the harrow-leveler. The continued use of those implements had a devastating effect: On the surface the soil was pulverized to the consistency of talcum powder; 15 centimeters down, the consistency was that of a paving block.

By 1977, analyses of the purple land indicated a dizzying decline in levels of fertility because of the systematic application of that "technology." Productivity decline, at the same time that production costs climbed progressively. The Caxias River, close to the Santo Antonio farm, received floods of prepared soil during the rainy season, which came down the trenches caused by erosion, causing the water to turn muddy and silting up the river bed.

Direct Planting

Now, Cardoso and Jacinto Jr are developing a process of land recovery by the use of soil conservation techniques, rotation of crops and minimum cultivation. Both reached the conclusion that the less the soil is stirred up the better. They abandoned the practice of repeated and harmful harrowing and leveling and began to use different implements--based on a careful surveillance of levels of fertility, compactness of the soil and also the needs of the selected crop.

"The important thing is to respect the land, handle it only enough so that the seed germinates and the roots of the plant develop well," explains Jacinto, who is gradually moving toward direct planting, the best of all production systems he knows.

Through direct planting, Nagib Abud Filho, owner of the Sao Manoel farm in Cambe in northern Parana, has managed to recover his soil, which had been previously degraded by the soybean/wheat due planted by conventional means. Since he opted for this system, the benefit obtained by Abud Filho is clear. While he harvests an average of 3,000 kilos of soybeans or 6,000 kilos of corn per hectare, his neighbors continue to struggle with low-yielding fields.

The average yield of corn in Brazil during the past harvest did not reach 1,900 kilos per hectare, which is very little compared with the 5,800 kilos in the United States or the 2,000 kilos of neighboring Argentina. However, the Brazilian average could very well reach 3,000 kilos.

Coordinated Action

Actually, the low yield is corn is due to several problems. Some of them have an easy solution. Many growers believe, for example, that a sack of seed corn (40 kilos) is enough for planting a Sao Paulo alqueire (2.42 hectares), when the proper thing would be to use at least a sack and a half. Technicians estimates that of 80,000 kernels planted, 40 percent are lost, either because the kernel simply does not germinate or because insects attack the cornfield or because weeds compete and many times win over the corn in the struggle for nutrients, water and sunlight.

If researchers, experts in rural extension and manufacturers of chemical products and agricultural machinery were to act in a more coordinated manner, those limitations to productivity could be overcome with greater ease. However, that is not happening. Each sector works according to its private objectives and the result is not always to the best interests of agriculture as a whole. A typical example of that lack of coordination is in the area of machines. The rate of mechanization in Brazil, according to the Preliminary Synopsis of the Agricultural-Livestock Census of 1985 by the IBGE [Brazilian Institute of Geography and Statistics], is 80.3 hectares per tractor, compared to 123.8 hectares in 1975. However, that advance in mechanization does not guarantee a corresponding advance in productivity of fields. Even the equipment for sale on the market is not always entirely suited for the specific characteristics of Brazilian fields.

Relative Precision

In the case of corn, for example, it is important that in the planting operation seven to eight kernels fall every meter at regular distances and depths. However, in practice that control is prejudiced, primarily due to the inadequate performance of the so-called precision seeder-fertilizers. They are not really precise.

Based on tests made since 1983, technicians of the Agricultural Engineering Division [DEA] of the Sao Paulo State Agronomy Institute believe that those machines perform only half of the operations advertised by the manufacturers. Of every 100 kernels dropped, for example, only 50 are placed at an acceptable distance. The rest fall either too close together or too far apart, causing productivity to fall.

The work of the DEA, supported by the Funding Authority for Studies and Projects [FINEP], which financed the purchase of 14 different models of seeder-fertilizers, seeks to establish norms and standards to be officially adopted in the country.

National Know-how

To Jose Maria Jorge Sebastiao, chief of the agricultural implements sector of the National Union of the Industry of Machines (SINDIMAQ), the performance of certain implements is worse than expected, because in Brazil the commercial classification of seeds, primarily corn, leaves much to be desired. He also argues that there are differences in the sizes of fertilizer granules distributed by the machine while it is dropping seeds. However, he admits that the machine and fertilizer companies are aware of the problem and are willing to work together to find solutions.

The influence of the performance of agricultural machines in the question of productivity is greater than it appears. There are even those who believe that it is unlikely that good results can be attained as long as models with real national technology are not developed, which means they should be perfectly suited to the conditions of Brazilian agriculture. "It is of no use to import technology because that which exists in more advanced countries handles crops of temperate climates well but not typically tropical crops such as ours," says Moraes da Silveira, director of the DEA.

According to him, genetic research in Brazil has taken several years to offer farmers commercial varieties that will provide gains in yield of from 5 to 10 percent, while that could be obtained with a machine specially developed for a certain task and operated with good judgement by the farmer.

Obsolete Models

Sometimes the use of a piece of equipment requires much ingenuity from the farmer. That is what happens, for example, with irrigated rice in the meadowlands of Minas Gerais, where the high levels of productivity make mechanization of the harvest indispensable. However, in order to perform the operation with the harvesters available, the growers are forced to cut the rice close to the heads, reduce the speed of the machine, and operate with approximately half of the cutting area of the sickle.

The reason for all this is that the machine as it was designed is incapable of processing the material (grain and straw) in a suitable time. To technician Marcelo da Padua Felipe, regional coordinating agronomist for projects

of the Technical Assistance and Rural Extension Company (EMATER) in the region of Curvelo (SP), the complaints of the farmers are justified. "To take care of the needs of those who are over there planting, the industry would have to offer a machine with characteristics that are quite different than the present ones. They should have a greater capacity for threshing and separating," recommends the agronomist.

Developed for fields of dryland rice, these machines can harvest up to 2,000 tons of rice per hectare. However, due to the expansion of the irrigated areas, they became obsolete. In Buenopolis, Minas Gerais, small growers began to harvest 12 tons of rice per hectare. The average in the area is never below 8 tons. Despite the problems faced by the National Irrigation Program, everything indicates that this trend will advance through Brazilian agriculture, forcing the industry to create machines suited to the harvests of highly productive fields.

[Box, p 74]

Resources For Irrigation Drying Up

The National Irrigation Program (PRONI), created in February of last year with the mission of incorporating another 2 million hectares into the tillable land of the country by 1990, thus insuring another 8 million tons of grain for the harvest to be gathered that year, is already finding an arid land before it. To reach its objective, investments of 47 billion cruzados would be required, half of that sum coming from private enterprise. However, to judge by a document of the Economic and Social Planning Institute (IPEA), the government itself has shut off the faucet to irrigation. "The resources allocated in 1986 and 1987 by the budget of the Union are well below the original stipulations of the program" criticizes the report. The reduction in that budget was of 73 percent. Another harsh blow came from the BNDES, which ceased financing irrigation projects for the state sector, preferring to concentrate its resources on private enterprise.

To complicate the situation even more, of the 2 million hectares to be irrigated by 1990, 1.6 million of them will first require the installation of electric power lines. Meanwhile, and still according to the IPEA, not even the modest goal of installating 3,543 kilometers of transmission and distribution lines was reached in 1986.

New Systems

It is from the private area that a significant expansion in irrigated areas is expected for coming harvests. Little by little, the grower is discovering that land, like any other production property, cannot remain idle, which is what is happening with irrigated fields, where only the so-called summer harvest is collected. Irrigation also had the added advantage of increasing productivity noticeably. "A planting of sorghum that is irrigated yields five times as much as a conventional planting, and the price of the winter product is better than that of summer," asserts Carlos Zuquim Nogueira, a farmer of Guaira (SP).

It is not accidental that many companies, almost all of them multinationals, invest quietly in this area, betting on an explosion of sales of center pivots, self-propelled units, rollers and other advanced irrigation systems. A recent example is that of BRASLIT, a subsidiary of the French group Saint-Gobain. It partnered up with the French company Irrifrance and the American company Lockwood to produce center pivots beginning this year. "That market is promising in Brazil, declares Jacques Range, superintendent of BRASLIT.

Gaunt Cattle

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 pp 76, 77

[Text] While the superharvest of this year represents some improvement for the table of Brazilians--even if its only for statistical purposes-- production of beef cattle does not leave any margin for illusions. The steak that goes to each Brazilian leaves a large empty space on the bottom of his plate because the amount of meat to be placed on the market throughout the year--2.2 million tons--is exactly the same as that of the beginning of the decade. Since that time the population increased from 100 million to more than 141 million inhabitants.

It is not because of a lack of cattle that the steak is so small. On the contrary, the Brazilian cattle herd, estimated at 137.3 million head in 1987, is the fourth largest in the world, surpassed only by that of India, the Soviet Union and the United States. However, it has a very low level of productivity because the development of the herd is not accompanied by a similar development in meat and milk production. The rate of use--the ratio between the number of animals slaughtered and the total size of the herd--does not exceed 12 percent, half of that of Argentina.

Even on the national scene, beef cattle for slaughter are at a disadvantage. In 1974 they represented 66 percent of all meat production in the country and now they represent only 48 percent, while the poultry sector went from 11 percent to 32 percent in the same period. Milk herds are far from being a model of successful activity.

Poor Nourishment

For a good long time the national herds have been showing signs of weakness. Their growth has been declining since 1970. Between 1970 and 1974, for example, the number of head of cattle existing in the country increased by 23.1 million. In the next 5 years, the increase was 16.4 million, and in keeping with that trend, between 1980 and 1985 it did not exceed 9.6 million, according to the IBGE.

One of the reasons for that decline in the rate of growth is the low birth rate. In Brazil, 48 calves are born annually to every 100 cows, just about half of the average in Argentina. Of the calves born, 5 percent die in their first year of life.

Reflecting the profound economic and social contrasts that characterize the country, the Brazilian livestock industry has a modern side, but the predominant side is that of poverty. Using the argument that there is a shortage of money for investment, raisers simply leave the cattle out to pasture. The results are poorly fed animals, because during droughts they cannot find the necessary nutrients in the fields. For the Nelore breed, that system could cause the loss of 30 percent in weight during a very dry winter. That is why every year the market suffers the drama of the period between cattle delivery seasons, with peaks in September and November.

Grass-fed Beef

"The raisers know the modern techniques required for alleviating the problem," but they prefer to leave the steers out in the pasture because it is cheaper," analyzes Claudio Afonso Vieira, professor of the School of Economy of the USP [University of São Paulo]. Cattle raisers, however, say they do as much as possible within the limits of the low profitability of the sector.

"At least we have advanced from the native fields to planted and fenced pastures provided with a good infrastructure," argues João Carlos Meirelles, president of the National Council of Beef Cattle (CNPC), who makes modest proposals for the sector. "If in Brazil production is basically grass-fed beef, we have to draw the maximum advantage from that, seeking to improve pastures with a more suitable technical management," he explains.

In that respect, it would be enough to take advantage of the tests already made by the Brazilian Agricultural-Livestock Research Company (EMBRAPA) that indicate the most suitable pastures for each region of the country, and to encourage the raisers to invest more in the sector through guarantees of compensatory prices. The problem is that of how to make remunerative prices for the raisers compatible with the purchasing power of the consumers. After all, the minimum wage in effect in the country, which 10 years ago bought 47 kilos of meat, today is barely enough to buy 22 kilos.

The Option of Lot Feeding

Since 1985, the CNPC has been insisting on the application of a long-term policy for the sector. According to that policy, in 5 years it would be possible to increase the annual supply of meat by 33 percent, which means an initial increase of 800,000 tons. The main point of that program is the reduction in the age of the cattle for slaughter from the present 4.5 years to 3.5 years. A more rapid solution, at least for reducing the crisis of the period between deliveries of cattle for slaughter, would be fattening in feed lots. "There is no other way to resolve the problem," says Sylvio Lazzarini Neto, vice president of the Brazilian Association of Lot Feeders (ABRACO). If there were an incentive--which means easy credit and an attractive price--cattle raisers could lot feed 2 million head in the next 2 years, which would mean an addition of 500,000 tons of meat per year to the total produced.

The oscillations of financing costs, however, are always a complicating factor. This is so much so that in April the government announced the release of 900 million cruzados for financing the lot feeding of 600,000 head, but the raisers preferred not to run the risk because inflation at that time was around 20 percent per month.

[Box, p 77]

Unstable Reaction of Milk

Milk producers are preparing to set a new production record this year, placing 12.6 billion liters on the market, 5 percent more than the record set in 1985. However, that performance should not be taken as the final solution for the ills that afflict that sector. Actually, this is a passing euphoria caused by a huge rise in remuneration for the product. "We have the best prices of the past 30 years," admits Carlos Humberto Carvalho, president of the Milk and Milk Byproducts Industry Union of the state of São Paulo.

To correct the error committed at the end of last year, when it preferred to give a 30-percent subsidy to the producers and to assume the responsibility for a price adjustment on the eve of elections, the government concluded by unleashing a violent increase in prices from January to July. In that period the price of type C milk went up 293 percent and that of type B, 417 percent payable to the producer. In that way the profitability of the sector was reestablished. In some cases it now reaches almost 3 cruzados per liter, after having fallen to only 14 centavos after the failure of the Cruzado.

The optimism of the producers, however, alternates with expressions of caution. After all, the sector has been suffering the consequences of a conflicting policy for 40 years. With the pretext of insuring milk for the population with the least buying power or of containing inflation, the government concludes by establishing milk prices at levels considered insufficient by the producers.

Only One Glass

Decapitalized, cattle raisers do not invest as much as would be desirable and dairy farming does not develop. The number of dairy farms operating with mechanical milking, for example, is very small. There are cases in which the extraction of milk is a mere byproduct of beef cattle. This is so much a fact that the dairy cattle in the national herds, whose share was once 20 percent, is now 11 percent.

The lack of investment in modernization of farms and in improving the quality of the herds, obviously leads to low yields. Poorly fed, because of the droughts which seasonally scourge the pastures, and without receiving an efficient zootechnic control, Brazilian cows produce an average of 800 liters of milk per year. By comparison, English cows produce 4,900 liters per year and U.S. cows produce 5,600. Production statistics confirm the same worrisome picture. According to the Agricultural-Livestock Censuses of the IBGE, the volume of milk distributed on the market increased 40 percent from

1975 to 1980 and only 7.5 percent from 1980 to 1985. Just to evaluate what this means, if the 12.6 billion liters produced by Brazilian cattle raisers this year were to be democratically distributed to all the population, it would only be enough for a single glass of milk per day for each inhabitant of the country.

In view of that situation, the cattle raisers, like the large majority of the sectors of the economy, request a more free functioning of the market. "The meddling by the government in that area is very great and it helps nothing," complains Carvalho.

Rezende Interview

33420005 Sao Paulo EXAME in Portuguese 2 Sep 87 p 79

[Interview with Minister of Agriculture Iris Rezende by Aldo Renato Soares of EXAME; date not given]

[Text] Agriculture will no longer be sacrificed in order that the government may chalk up a few points of lower inflation. Moreover, the super-harvest was not only a healthful exception, it could even be repeated next year. These are statements by Minister of Agriculture Iris Rezende contained in this interview granted to EXAME reporter in Brasilia, Aldo Renato Soares.

EXAME: You declared that the country could produce 70 million tons in the next harvest. What is the basis for that estimate?

REZENDE: With the measures adopted by the government, improving the agricultural policy, the country should once more reach a record production, over 70 million tons. Previously there was much uncertainty about available resources and prices. For decades agriculture stagnated precisely because of the gradual impoverishment of the producers. When the government announces the consolidated budget of 350 billion cruzados for the next harvest, and at the same time assumes a commitment to establish compensatory prices, optimism once more prevails in the rural environment.

EXAME: Soon the government will be withdrawing subsidies to agricultural production but may be obliged to subsidize consumption because of the low buying power of the population. How do you evaluate that change?

REZENDE: The concern of the government is to allow the Brazilian wage earner to have an income sufficient for his maintenance in the near future. But it is not fair that the government seek to care for the most neglected classes of society at the expense of the farmers, as has been happening. That finished off agriculture. Brazil today should be the greatest producer of food in the world. There is no explanation for the fact that the United States produces so much with only 5 percent of its population in the rural zone and we, with one-third of the Brazilians in the rural area, cannot produce enough for our own consumption.

EXAME: How does the government intend to compatibilize the increase in food production for domestic consumption with the need to export?

REZENDE: That does not worry us, however we do need to contain a bit the desire to plant products that reached reasonable prices on the foreign market in order to protect the domestic market. The prices of soybeans and cotton changed significantly and that is why the advance of the VBC (basic production cost value) for those products was smaller. If the government were to offer the same VBC for rice and corn today as it guarantees for cotton and soybeans, we would have an enormous harvest of soybeans and cotton and we would have to look for rice and corn abroad for domestic consumption. It is not proper to inhibit the increase in production of rice and corn this year, even if those products have no place on the foreign market. The reason for this is that we are starting the creation of regulatory stocks. Today we have 2 million tons of rice, however, that is only enough for 3-months of consumption. In the case of basic products we need a stock for 1 year's consumption.

EXAME: The area cultivated with financing of production costs increased 40 percent in the last harvest, while the total area cultivated increased only 3 percent. Therefore, it is clear that the credit was not used for the expansion of the cultivated area. How does the government intend to prevent a repetition of that?

REZENDE: Through the withdrawal of credit subsidies the distortion will disappear. Savings today yield 6 percent and the farmer will pay 7 percent. Therefore, the obtaining of money at 7 percent to place it in the financial market at 6 percent cannot be justified. The subsidy will continue for the Northeast and the North, which have a disadvantage with respect to productivity by comparison with the Center-South.

EXAME: What is being done to guarantee a storage system that will prevent losses during the harvest?

REZENDE: There was much talk of a loss of 20 percent during the super-harvest. However, that concern was sometimes the result of someone interested in building storage facilities. It is obvious that we have critical points in Parana, Mato Grosso, Mato Grosso do Sul, Goias, the southern part of Para and part of Maranhao. However, we already have 12 billion cruzados for building storage facilities, and we are going to arrive at the next harvest without major problems.

EXAME: What is happening to the program of lot feeding the cattle raised last year?

REZENDE: The program was prepared but there was some difficulty in obtaining resources. The initial goal was to lot feed 1 million head, but we limited it to between 500,000 to 600,000 head. Even so I have the impression that this figure will not be met.

FORMER FINANCE MINISTER SCORES GOVERNMENT ECONOMIC POLICY

33420019 Sao Paulo VEJA in Portuguese 14 Oct 87 pp 24-35

[Article by Mario Henrique Simonsen]

[Text] The New Republic is embarking on a perilous venture--it is attempting to reinvent the wheel. Last year it produced the Cruzado Plan, which could have been a useful anesthetic preceding antiinflationary surgery. Since the anesthetist forgot to call in the surgeon, the plan went down as yet another frustrated attempt to combat inflation by treating its effects. Once the Messianic euphoria had passed, the Brazilian economy became a kind of catalogue of viruses: triple-digit inflation, record public deficits, futile attempts to freeze prices and the toughest wage squeeze in history.

For those who have a liking for anarchy, it was a small masterpiece, but this year it was decided to do even more. The perilous venture continued when the government came up with the idea of playing hard ball with our foreign creditors, declaring a moratorium on interest payments and announcing to the four winds that we were going to renegotiate the debt with discount--as if a yellow promissory note could be worth more than a green one with exactly the same characteristics and guarantees--or, more precisely, lack of guarantees. To err is no proof of lack of intelligence. It is by trial and error that one learns and only those who do nothing never make mistakes. Foolishness is repeating proven mistakes, and this is the syndrome which now appears to have infected Brazil's ruling elite, who, if they have never been brilliant, have rarely been so creative in their ability to manufacture disasters as they have been in these last years of the 1980's. Unfortunately, all this is happening in a year in which the Congress is drafting a new constitution, conceiving a new regime, devising a new tax system and designing a new paradise. Brazil today runs the risk of approving an option that is at once irrational in terms of technological backwardness, xenophobia, statism and the most baneful type of charter capitalism yet to befall its history--all this is the name of a "progressivism" which no one can define, because, in fact, it does not mean anything more than a progressive state of mental disturbance.

That little piece of paradise, from the archangel Funaro, is already lost. You cannot decree inflation away. This has been true since the days of the Code of Hammurabi; 1,700 years before Christ, he froze the prices of two basic commodities--oil and salt--in Assyria and determined that violators would, justly, be

boiled in oil. The problem was that, with the freeze, the product disappeared and finally there was no oil to kill off the saboteurs of the Cruzado Plan of Babylonia. Some 1,600 years ago, Roman Emperor Diocletian attempted the same thing on a larger scale. Despite his powers, which were acknowledged to be divine, the freeze followed the classic cycle: marvel-scarcity-speculation-collapse. It may be argued that Hammurabi and Diocletian are figures of the ages, events of past millenia, but only a short time ago, at the beginning of the 1970's, and close to Brazil, Chilean President Salvador Allende and the Argentine diety Juan Peron attempted a similar coup, through which they sought to control prices and increase wages. Allende ended up with a bullet in the face, a palace in flames and a country in ruins. Peron fled to the Beyond before his plan collapsed, leaving his military officers with the task of deporting his widow and vice president, Isabelita, precipitating the country into the most inept and bloody dictatorship in its history. Since God is Brazilian, following the Funaro Plan (which attempted to freeze everything forever), instead of the Apocalypse, we got the Bresser Plan, by which it was intended to place a freeze--no one knows on what, much less for how long. One thing is certain: in Brazil's economic administration today, the formula used most frequently to confront inflation is, undoubtedly, the decree.

This intellectual poverty, the product of a mixture of political opportunism and total disregard for the consequences, is also seen in the way in which the government--pompously supported by its party, the PMDB [Brazilian Democratic Movement Party]--treats the foreign debt. Our 1987 moratorium is a delayed replay of the Argentine attempt to shake up international finance at the beginning of the Raul Alfonsin government. The difference is that Argentina's president and its Economic Minister Bernardo Grinspun preferred to create confusion and to flaunt their arrogance. They delayed payments, they presented preposterous proposals to their creditors, but when they were confronted by a body of creditors, they were careful never to make a formal declaration of the moratorium. In the end, Alfonsin perceived that, instead of fighting with the creditors, it was better to fire Grinspun as economic minister and replace him with economist Jean Sourouille, whose first act was to initiate negotiations with the International Monetary Fund (IMF), which the Brazilian Government and the PMDB's brass band see as a kind of inferno fed by the fires of arithmetic.

Our Brancaléone army (read here the economists "of" the PMDB, economists "in" the PMDB, PMDB members "in" the economy or any way you like) was convinced that Brazil had a lethal weapon. The weight of our \$109 billion debt could topple the international banking system, bringing it to its knees in the Praça dos Três Poderes. It forgot a detail of arithmetic and one new factor. The detail of arithmetic is that, in Portuguese, \$109 billion is a fortune, but in other languages it is not so much; it is only 1.5 percent of the annual GDP of the three major economies of the Western World: the United States, Japan and the FRG.

The new factor is that we are not even the world champions of foreign debt. The United States took the crown and today it owes about \$300 billion to the rest of the world and it is really capable of destabilizing the international economy. It is not surprising, at this juncture, that Minister Bresser Pereira was unable to confront his American counterpart James Baker as successfully as David met Goliath. At least David was astute enough to catch his rival by surprise. If David had blown his horn, giving forewarning of his skill at handling a sling,

the bible story would have had a different ending. To give Minister Bresser his due, he has had the guts to attempt to reconcile reason with the PMDB's economic program, but since guts are not enough, the attempt, while patriotic, is not very promising.

The Cruzado Plan and the moratorium, no matter how irrational and disastrous, are still reversible mistakes. They will leave scars, but they have not doomed us to metastasis. What is truly serious is the sword of Damocles which our Constituent Assembly has put in orbit above Brazil's 8.5 million square kilometers. The so-called "progressivism" of the constitutional draft produced by the Systematization Committee is a confluence of the subculture with opportunism. Subculture is the illogical sentiment which, wishing to do good, does evil--in other words, all those good intentions that pave the way to hell. Opportunism is the attempt to preserve what no right-wing American has the courage to defend: charter capitalism. It is precisely the preservation of this system of favors, in which the Congress places belief in the government's ability to solve all the national problems, that represents the most serious risk to the future of the country. In reality, almost no one is foolish enough to believe that the state will do so much for those who have nothing. What they believe in, and precisely what they wish to preserve, is the state's ability to solve the problems of a political, economic and financial elite, using the taxpayers' money and pretending that it is promoting the public welfare. They play the folk music, in order to be able to go on drinking champagne. Curiously, the left- and right-wing extremists are together in this scam, like the snake who swallows his own tail.

This song-and-dance of a do-it-all government always includes the idea that everything the state does is meant to improve the lot of the disadvantaged. We were one of the last countries to abolish slavery; we have one of the most wicked profiles of income distribution in the world, but the refrain is always the same. "I will sell the last jewel in my crown before any northeasterner will perish in the drought," said Dom Pedro II. The crown rests, intact, in the Imperial Museum in Petropolis. The northeasterners of the great drought of 1970 lie in the cemetery.

Obviously, only scoundrels are not moved by the poverty and injustice. One need not read the Communist Manifesto or the pungent descriptions by Karl Marx of the subhuman life of the English workers in the coal mines of last century. One need only take a walk, right now, through the "favelas" (slum shantytowns) in [the hills of] Rio de Janeiro. The more intelligent scoundrels, if they are not moved by this, will at least be made uneasy by the proximity of absolute poverty, because there is no praetorian guard to protect them against an eventual descent from the hills. It is cheaper to make jobs for the slum dwellers and thus enable them to leave the slums than to pay the praetorian guard. It is also safer; throughout history, the sacks conducted by the guards were always more devastating than any uprising by the downtrodden.

It is not surprising, then, that some ideas put forth by our current Left, particularly those which offer the shortest path to social equality, fascinate preachers, artists and, to a certain extent, scientists. It happens that the tears of the intellectual do not fill the bellies of the poor, just as the empty bellies of the poor do not spoil the European vacation of the intellectual.

This being the case, an intelligent scoundrel may be more useful to the poor than a disjointed vicar, who often offers the kingdom of God, while making life on earth hell for those who fall for his story. The well-intentioned option for the poor often degenerates into an inescapable option for poverty.

You can only improve the life of the poor by giving them access to wealth--and the basic problem of wealth is not in the difficulty of distributing it, as in a charity bazaar, but in creating it. Modern capitalism has survived only because because it evolved. And it evolved by adopting mechanisms of social balance which have proved effective for almost half a century and, above all, have fostered the democratic development of Western societies. The progressive income tax is the civilized way of taking from the rich to give to the poor. Before its inception, the fabled John D. Rockefeller could declare, at the beginning of the century, that "the ability to make money is a gift from God... and having been given this gift, I feel it is my duty to make more and more money, using it to do good, according to the dictates of my conscience." Today, fortunately, most of this gilded chunk of Rockefeller conscience is in the Federal Treasury of the United States Government. Free basic education, unemployment insurance, health insurance and social security are a part of modern capitalism, to provide greater equality of opportunity. There is a vast difference between the capitalist world described by Marx and the one which exists today. Our world is infinitely more prosperous, because, when the laws of the market function, it has become much more difficult for the rich to believe they are God's chosen.

This leveling is not--nor will it be--complete, for a practical reason: absolute equality is achieved only by a leveling downward. The famous socialist ideal of "from each according to his abilities, to each according to his needs" has never worked, for an obvious reason: work is not a hobby, except for a privileged minority. This being the case, if what one receives has nothing to do with what he produces, production is minimal, because no one is interested in producing more or better. It then remains only to distribute need--another word for poverty. There is nothing original about these observations; they are old, almost worn to shreds. If they must be repeated in the Brazil of 1987, in the New Republic, in the transition government, among PMDB economists and in the Constituent Assembly, it is only because of the intellectual paucity of the debate which is being conducted today in this country. Unfortunately, many of the issues being debated in the nation today are matters which the rest of the world dealt with decades ago. However, since we suffer from a certain historical backwardness, which kept us from entering the war in Europe until after D Day and from recognizing the existence of the People's Republic of China until 1974, it is always necessary to restore reason starting from the root of irrationalism, no matter how archaic that may be.

The large question that should be debated in Brazil now is whether we prefer to impoverish the rich or enrich the poor. To achieve the former objective, we need only adopt the constitution drafted by the Systematization Committee, and go down in history as the country of the two Cabrals--one who discovered and one who put a pall over Brazil. If the objective is to enrich the poor, the time has come to abandon illogical, declamatory and foolish sentiment and to bury the myth that the Left has exclusive rights to the notion of progressivism--when it is seen that, in the real world, on the contrary, the major progress is in the open and democratic capitalist societies.

At the heart of that illogical sentiment is the presumption that the state is capable of creating resources out of nothing. In reality, since the state does not have divine powers (even though the members of our Constituent Assembly lay claim to God's blessing), all the state can do is take from one to give to the other. In this process, incidentally, there is a cost, because at least one public official must be appointed to oversee the distribution. In other words, the state can never take 100 cruzados from a rich man and give the same 100 cruzados to a poor man. Along the way, part of that 100 cruzados remains with the bureaucracy. Deputy Antonio Delfim Neto recently calculated that, at the end of such a transfer, if the poor man receives even 60 of those 100 cruzados, everything will have gone very well. In some cases, the bureaucracy winds up costing more than the 100 cruzados, which means that the bureaucracy would be supported not only by the rich man but by that same poor man in whose name the bureaucracy is acting. Moreover, in many cases the state takes as much from the poor as it does from the rich, beginning with the ICM (Merchandise Distribution Tax). For example, if entrepreneur Sebastiao Camargo, whom FORTUNE magazine just described as the richest man in Brazil, buys a kilogram of beans from the same store as the humblest peon in his employ, both men will pay a 17-percent ICM on each sack they carry away. It does no good for Sebastiao Camargo to insist to the merchant, the mayor, the governor or even the president of the republic that he would like to pay more and thus add to his contribution to the poor. In the same way, if the poor man is 2 cruzados short and cannot pay for his beans, it will do him no good to go to the mayor, the governor or the president and ask for a 5-percent discount on the ICM. Either he talks the merchant into cutting his price or he goes hungry, because the ICM, like all taxes, is destined to feed the poor and if he does not pay it, the government swears the poor will go without beans.

The Brazilian Government systematically conceals the workings of its publicized distribution machinery. Through costly publicity campaigns and pharisaic speeches it always paternally identifies the recipients of its largess, but it is always careful to sow confusion about who is paying the bill. The taxpayer is never in evidence in any of the government's advertising. Who built Brasilia? Juscelino Kubitschek. Who built the Rio-Niteroi Bridge? Minister Mario Andreazza. Obviously, neither of these men was responsible. For better or worse, it was the Brazilian people who paid for these works.

Hiding the source of funding is a profoundly antidemocratic practice, but it has happened again and again in the history of Brazil and has been firmly taken up by the New Republic. The poor are hurt the most, because they are the ones who unknowingly pay more taxes. As if this were not enough, when a mayor or governor or the president attends an inauguration ceremony, particularly one inaugurating an expansion of services, he behaves as if the money had come out of his own pocket. Proof is this is that public works bear the names of public officials. No one has ever thought to name a bridge for the Brazilian who paid the biggest income tax that year.

How many people are aware that, of each 100-cruzado note, the government gobbles up from 6 to 10 cruzados a month just because of inflation? How many people perceive the monumental obfuscation practiced by the government when it blames inflation on a distorted social mentality in the country? It is this lack of openness with regard to the public accounts which nourishes the illogical

sentiment and which only scores goals against the poor people's team.

Let us look at other specific examples. In 1984, a subsidy was granted to the Housing Finance System since, thanks to the disastrous Decree-Law No 2065, middle class wages suffered violent damage in real terms. In 1985, the New Republic decided to meddle more with the benefit, reducing the annual monetary correction of 235 percent to only 112 percent for the borrower who henceforth accepted a half-yearly correction on loans. The bill would be paid by the Wage Variation Compensation Fund, of the BNA [National Housing Bank]--except that the fund had variations, but no funds. So the Housing Finance System had no funds and no motivation to grant new loans. As a result, there is no more credit available for low-cost housing and for the middle-income bracket, except what the Federal Savings Bank dispenses with an eyedropper. So more and more people are congregating in the "favelas." Worst of all, with civil construction drying up, the slum dwellers are unemployed. This case has yet another perversity, disguised as philanthropy.

Imagine one of those upper middle class buildings poking up in Sao Conrado, in Rio de Janeiro. Now imagine a worthy citizen who, having gathered up his savings, applies to purchase an apartment in one of these buildings. A careful man, he has budgeted well and, although he suffered some loss of salary in 1984, he has enough to put up for this BNH mortgage. Meanwhile, the government has granted a broad, general and unrestricted subsidy. Facing the apartment of this subsidized borrower is the Rocinha favela. There, during all the time in which the policy of real estate subsidies for the middle class was in effect, the prices of the shanties were at the mercy of the oscillations of jungle capitalism, and anyone in Rocinha who was thinking about buying a small house in the suburbs might have to wait as long as a decade for financing, because, in 1984, the government wanted to help the poor.

Within the Brazilian state, there has never been much left over for the poor, because there was a long line ahead of them waiting to be served. Today, Brazil has 8.5 million civil servants. It is not certain how many of them are productive, but it is suspected that most of them are not doing any work for their salary. It is known, incidentally, that the New Republic has been prodigal with its appointments, since this appears to be the basic objective of our politicians. It is clear that those who are not civil servants bear the cost of the civil servants. This being the case, the more civil service appointments, the poorer the rest of the population becomes, but since no one knows exactly who is supporting whom, no one protests when the civil servants go on strike and obtain fat wage increases, as just happened in the Bank of Brazil. It should be noted that the employer who is struck the most in Brazil is the government. The state is capable of requiring employers in private enterprise to resist the unions of their workers, but it is most generous with its concessions when the strike is in its own house. Why? Simply because the bureaucrat who knuckles under does not pay a cent. He sends the bill to what, in Brasilia, is known as the "widow"-- the nation.

Another example: last year, the government decided to play miracle worker with the Cruzado Plan, attempting to turn Brazil into "Jaica," that country which grew twice as much as Japan, with an inflation rate similar to that of Switzerland.

The consumer gala won huge electoral dividends for the PMDB, which conducted its campaign with the sincerity and public spirit of a jury of sophomores. It happened, however, that with the losses in the state companies and the sectors caught off guard by the freeze, the plan was doomed to failure. At that point, the economists of the PMDB (or the "Pemenomists" of the "Ecodebe," which doesn't mean anything either, but at least is new jargon), discovered that Brazil's salvation lay in suspending interest payments to the greedy international bankers. We decreed the moratorium and there it was: a vast recession combined with an unprecedented wage squeeze, which shows that, in matters of stagflation, the PMDB succeeded in being more creative than the Figueiredo government. The greatest invention of the PMDB, however, is the idea that it is doing all this in the name of democracy, social justice and national sovereignty. The sad thing is that both the government and a part of the party believe that the hoax worked.

To ask favors of the government is a cultural tic which we brought with us from the Iberian Peninsula. The story began with the letter from Pero Vaz de Caminha, seeking a job for his son-in-law. The tale progressed with the division of Brazil into hereditary captaincies. In the last century, the pioneer of the great national private enterprise, the baron of Maua, who became the patron saint of industry in the republic, failed because he did not win enough favors from Dom Pedro II. The same thing happened after World War I to Jorge Street, the pioneer of Sao Paulo's textile industry. It is not surprising that, from this cultural soup, there arose a degenerate form of Brazilian capitalism: the charter company, protected by the government with both hands--with the public coffers that insured it against losses, and with protectionism, which protected it from competition. In the modern version, the charter company is one which makes more money by sending its directors on pilgrimages through ministerial offices and peninsulas [as published] than by putting them to work at improving productivity. These are individuals who always have a smile on their lips, a petition in their hand and the threat of unemployment on their foreheads: "If my company fails, so many thousands of employees will be out on the street." The interaction between the bureaucrat and the charter capitalist is socially repugnant: first, because it is an invitation to corruption; second, because it is a negation of the capitalist philosophy itself, in which profit is only justified if it is counterbalanced by risk; third, because it discourages efficiency; and fourth, because it is a mechanism to take resources away from the poor and give them to the rich. In general, in the last analysis, the "peninsular" executive is only ensuring one job--his own, leaving to the bureaucrat the task of dragging the money out of the taxpayers.

Oddly enough, true capitalism was established in Brazil by empresarios who had no access to the court; in general, they were the immigrants, Italian street peddlers, the German colonists, the Syrian-Lebanese "Turks" [drygoods merchants]. Below the line of the chartered prosperity of the Vale do Paraiba, where a petty aristocracy lived off the blacks and danced on mortgages, the Brazilian capitalist venture was developed through small establishments where hard work was the key to business, in which efficiency was essential to survival. It is not surprising that, for this very reason, capitalism in the South grew by leaps and bounds, whereas the Northeast, with its charter capitalism and paternalism, progressed at a snail's pace. In the 19th century, the northeastern sugar mills failed, even in terms of a slave economy, but this never destroyed the pomp of the baron of Cotelipe. Today the sugar mill has failed again, which is not certain

to curtail the grandeur of the future "viscount" of the SUDENE [Superintendency for Development of the Northeast] or that of the "baron" of SUVALE [Superintendency of the São Francisco Valley].

It is settled judgment that, after the generation of the immigrants, the southern businessmen, or most of them, also joined the charter capitalism. One need only remember that, in the 1950's and 1960's, two barriers were raised against the invasion of Brazil by the multinationals. On one hand, there was the Left, which [excoriated] foreign companies which came here to exploit the cheap manpower and to bleed our balance of payments by remitting their profits abroad. On the other hand, there was the FIESP (São Paulo State Federation of Industry), whose members simply did not want their profits threatened by competition from the "gringos." Curiously, the extreme Left and the Right united against the common enemy. The classic incident was the blockade of American Can's project to manufacture containers in Brazil, during the Kubitschek administration. The Left took charge of making the ruckus; the Right had the privilege of producing cans that were more expensive and of poorer quality, to fatten its profits, and the consumer paid the bill.

What sustains charter capitalism, whose most recent coup is the Informatics Law? Obviously, the interested parties are the bureaucrats, who add to their power, and the owners of the charter companies, who add to their profits without creating genuine progress. Outside this circle, there are now tens of thousands of businessmen who have more to do and cannot cruise the corridors of the FUN's, PRO's and BAN's, by which the state maintains funds, programs and banks with other people's money. The Brazilian business class, which 30 years ago could be fit in the salons of the Country Club of Rio de Janeiro, is today as large as it is unjustified, when one thinks of it as the precise mirror of the figures who are seen in the usual official circles. Today, as at the end of the last century, there is a current, led by the state, which is shoving the Brazilian business class back, using the tricks of the court. Another current, formed by businessmen who only understand profit as a product of work, who do not know powerful people and who do not even know exactly where the BNDES [National Economic and Social Development Bank] is located, wants the country to move toward a freer economy, the only one in which it perceives that it can survive.

The victims of the predomination of the retrograde patronage system are the consumers, who pay dearly for what could be sold cheaply. It is no surprise that, given so many chartered companies, real wages are so low in Brazil. Charter capitalism is a crime against the poor, perpetrated by means of a myth: that of the state as an entity capable of creating resources from nothing--a myth that cloaks a cruel farce, a state which refuses to explain who is really financing its benefices.

Putting aside the myth and the farce, Brazil must become aware that the world is increasingly more pragmatic and less ideological. The reason is simple: ideology is the stuffing which fills the lacunas of science. The heart may dictate reasons as long as the latter are not belied by the facts. But the concrete facts cannot be disregarded for the sake of ideological options, and any attempt to do so leads to schizophrenia. When the Inquisition condemned Galileo because he was saying that the earth revolved around the sun, it did not succeed in consolidating its belief that the sun revolved around the earth. It only succeeded in aborting

scientific research in Italy and transferring it to England, Germany and France. In the 1960's, Mao Tsetung determined to eliminate everything from the Chinese culture that might cast doubt on Marxist dogma, beginning with mathematics and arithmetic, since 2 and 2 equals 4 is a conclusion that vexed the rusticated Marxists. The Cultural Revolution resulted in a tremendous retrogression for China, from which it is attempting to recover today, with the pragmatism of Deng Xiaoping. China was one of the most obscurantist, repressive and backward dictatorships of this century. In the 1960's--who can forget--it was fashionable to be a Maoist. Today, now that Maoism is synonymous with imbecility, if only because, at the time of his revolution, the "Genial Guide" was neurologically impaired and intellectually senile, it is pretended that it was all nothing more than another bad effect of the 1964 regime.

The tragedy of the Brazilian Left is that, save for some distinguished exceptions, it appears to have stopped thinking in 1960. Today's theories, many of which are incorporated in the draft constitution of the Systematization Committee, are the same ones that we heard during Joao Goulart's administration--with one difference: in 1960, they were false, but we gave them the benefit of the doubt. Today the doubts have been dispelled, and Mikhail Gorbachev looks like a conservative next to the Brazilian Left.

Let us recapitulate some theories of the "Tupiniquim" Left. The first one, apparently without any ideological connotation, poses that economic growth must be based on "strengthening the domestic market," to the point that, in the chapter on technology, the draft constitution of the Systematization Committee declares that "the domestic market is part of the nation's patrimony," a fantastic confusion between active and passive. The problem is that of the chicken and the egg, except that, in this case, it is easy to arrive at a solution. If there were ample idle capacity in all sectors, it would suffice to distribute money to the poor and everything would take a turn for the better; the poor people would buy more, would live better and would generate jobs for other poor people, in a lovely chain reaction. The rich would be equally pleased, because they would sell more and keep their profits up, with a smaller profit margin per unit amply offset by the increased volume of business. This is the magic of Kalecki, a Polish economist who is particularly revered by the Brazilian Left. It happens that, in poor countries, it is not customary to have idle capacity, except by chance. The big problem is how to increase the productive capacity, not how to absorb the existing capacity. In other words, resources are needed for investment, to produce more, and then, indeed, to expand the domestic market. These resources do not fall from the sky; they must be created, through domestic savings or through foreign capital.

The second theory is that state capitalism, subject to coordination by central planning, is more efficient at long range than private capitalism, which is regulated only by market forces. This argument was really valid in the 1950's, because capitalism had experienced the shock of the Great Depression of the 1930's and the Soviet Union, under Stalin, had become a great industrial power. The price had been higher than any military dictatorship would dare to impose: a tremendous wage squeeze and total suppression of individual liberties, not to mention the purges that made Stalin the leader of a government which killed the most Communists in the history of humankind. The fact is, however, that the Soviet Union made giant strides, to the point that it astonished the world by

putting the first Sputnik in orbit in 1957, leading Nikita Kruschev to predict that, in the 1980's, the Soviet national product would surpass that of the United States. Today, obviously, the argument has become totally meaningless and the Soviet leaders are the first to recognize defeat. The United States quickly caught up in the space race and in 1969 it put a man on the moon, as the whole world watched on television. Kruschev's prediction was wrong and the Soviet Union, instead of winning first place in the international ranking of the economic powers, fell to third place. Second place went to tiny Japan, which had come out of a war in which two atom bombs had been dropped on it, which was extremely poor in natural resources but very rich in discipline, thrift and manpower training.

The Soviet Union lost the race for progress because it was spending too much on its bureaucracy and was not rewarding individual initiative. Despite the vast cultural patrimony which it had inherited from czarist Russia, the regime was able to build fantastic hydroelectric plants and steel mills, but it was a disaster when it came to developing agriculture, services and state-of-the-art technology.

The third theory is that it is necessary to prevent the invasion of the multi-nationals, which are only interested in exploiting our cheap manpower, bleeding the balance of payments by remitting profits abroad, subjecting us to technological dependency and transferring the production and investment decision centers beyond the nation's borders. What the multinationals really want is a question that we will take up later. In any event, they cannot be all that diabolical, since the United States currently absorbs the most foreign capital and since Gorbachev recently paid for nine pages of announcements in the WALL STREET JOURNAL, inviting the North Americans to participate in joint ventures in the Soviet Union, particularly in the high-tech sectors. By the standards of the Ministry of Science and Technology, which has more specialists in pear brandy than in computers, Gorbachev must be a sell-out and not a statesman.

The fourth theory is that rural and urban real estate speculation is the greatest cause of the economic inequity and social injustice. Jungle capitalists buy land and artificially inflate real estate values, at the expense of the poor, and this calls for two solutions: agrarian reform and urban reform. It is understandable for the capitalist to invest in real estate. What is incomprehensible is why he refuses to make use of this land, which, if he farmed it or put buildings on it, would yield a return and be worth even more. In this regard, the Left supposes that the capitalists are as unimaginative as the Left itself. Certainly, some of them are, and the natural remedies are the land tax and expropriation in the interest of the society--but this is the exception, not the rule.

In short, the Brazilian Left is in urgent need of an intellectual "recap." The option for the poor is a worthy choice, as long as it is not based on illogical sentiment that does evil as it attempts to do good. Our leftists need to behave as thinking animals and not as parrots, repeating ideas so old and disproven that today they are little more than slogans. If they do not undergo this intellectual "recap," before long, for lack of anything to say, they will be chanting "Omo washes whiter," or "Coke is the real thing," as the formula for the salvation of Brazil.

The greatest demonstration of the leftist demonology and of the angelic naivete that, together, form an incoherent majority in the Constituent Assembly and in the government is the discussion of the role of the multinational companies. What the much feared multinationals really want is obvious: to remunerate their shareholders and to diversify their operations geographically, to reduce costs and risks. The idea that they will weaken the national power, transferring the center of decisions abroad, is the result of a conceptual confusion between private capitalism and state capitalism. The likes of IBM and General Motors are not controlled by the government. In fact, they have no controlling shareholders, because they are capitalized by a multitude of small shareholders. Therefore, their directors, to hold on to their jobs, work to protect the interests of their stockholders and not of the American Government. The same is true of Brazilian private companies, which protect the interests of their owners and not those of the PMDB. If the government wants to subordinate them to certain economic policy objectives, it need only adopt tax schemes creating incentives and disincentives, and this is true both for Brazilian private enterprise and the multinationals. The lurking spectre of privatization [...]

has provoked a clumsy definition of national enterprise in the constitutional draft by the Systematization Committee, [which] forgets that what concerns the country is not the residence of the capitalist, but where he invests his capital. Recently, Spain's Prime Minister Felipe Gonzalez, whose socialism led Spain to sell the highly inefficient state automobile industry, Seat, to Volkswagen, exorcized the fears of denationalization with a fulminating response: the fears would only make sense if, in the still of the night, agents of Volkswagen could dismantle the plant in Spain and, unbeknownst to anyone, carry it off to Germany. Since there is no danger of this, the Seat plant remains where it is, giving jobs to Spaniards, paying taxes and producing automobiles, without burdening the country's public treasury.

Logic, although it was invented by the Greeks in the Northern Hemisphere, also functions south of the equator. One of the insistent declarations by the Left in the 1950's and 1960's was that multinationals only came to Brazil to win our domestic market and not to export, because that would be against the interests of the workers of the parent company. A happy illusion, as demonstrated by the exports by the automotive industry and countless other multinationals, which protect the interests of their shareholders and not the interests of the unions, and which are responsible today for 28 percent of all Brazilian exports of manufactured products. It was also emphasized that the multinationals only came to Brazil to exploit our cheap labor force. Counselor Acacio was mixed up with this nonsense.

Actually, multinationals are not charitable institutions and they would have no reason to invest in Oiapoque and Chui if wages here were higher than those in the United States and Western Europe. The point is that the competition for cheap manpower creates jobs and the creation of jobs means manpower is more expensive and this is precisely to the workers' interest. And this is precisely what happened. On the average, the multinationals in Brazil pay their employees 39 percent more than the Brazilian companies, be they private or state companies.

As in any other country, the Brazilian worker is not the least interested in knowing whether the company is controlled by Americans, Belgians, Turks or Indians. He is interested in the wage and the treatment he receives. Obviously,

the multinationals are paying dividends abroad. It happens that, to send remittances of dividends, there must be profits and the country must have exchange capability. No country has lost its international liquidity because of remittances of profits, because if there is no exchange, there are no remittances, and the multinationals know this; they share in the problems of the balance of payments. What make the country internationally illiquid or even insolvent is the inability to renegotiate the foreign debt.

In this regard, the idea of our leftists of the 1950's and 1960's--that foreign loans were preferable to risk capital--was revealed to be another tragic historical error. The overriding point in any debate is that the country must try to master modern technology, but the solution is not to reinvent the wheel, to drive out the multinationals that develop this technology, but, rather, to train engineers, physicists, mathematicians, chemists and biologists, to develop well-equipped research centers and to encourage domestic production of items using modern technology, either by domestic or foreign companies. In the 1950's, Juscelino Kubitschek had the wisdom to invite the multinationals to come to Brazil and set up the automotive, naval construction and many other industries, instead of creating a Brazilian Seat, as they did in Spain, or a SEA, a Special Secretariat of Automobiles. The Spanish venture had a first cousin in north-eastern Brazil, the National Motor Plant (FNM), conceived in the 1940's to produce aircraft engines. The engines were never produced and the plant became a white elephant, producing trucks at great expense to the public treasury, until the Costa e Silva government had the good sense to decide to sell the FNM plant to Alfa-Romeo and the taxpayers were relieved of this burden, at least. It would be well if these and other lessons were taken to heart by the leaders of the New Republic.

Selling state companies is, in fact, the order of the day, not only in Great Britain, France, Italy and Spain, but even in Nigeria and Tanzania. Of the first four programs, the most daring is that of Great Britain, which is putting state companies up for sale on the securities market, through public offers. There is a clear ideological context to the program, but the fact is that it has been extraordinarily successful; millions of Britons are vying to buy shares of British Telecom and British Petroleum. The government is registering some accounting losses, in the sense that the market value of the companies is less than the net assets listed in the books. However, this is evidence of a simple fact: the British state companies are not worth what is recorded in their books, just as no one would purchase Angra I for the corrected value of the dollars, cruzeiros and cruzados that were tied up in the plant.

The democratic meaning of Britain's privatization is easily perceptible. The companies once belonged to the people, as a collective body. The problem was that the people were being deprived of two rights: first, the right of each individual to sell his parcel to third parties, since the property was indivisible; second, the right to choose the directors of the companies and to demand results. Once they are privatized, the companies belong to those who are actually shareholders--many Englishmen, but not the whole population--and they determine, through public offers in the securities exchanges, how much the company is really worth. In France, the program is a pendular reaction against the nationalizations in the romantic phase of the Francois Mitterrand government, which at first was ruled by illogical sentiment, but which retreated in time, because the French, accustomed to Cartesian doubt, would never embark on a cultural revolution like that of Mao Tsetung.

In Italy, it was recognized that there had been far too many nationalizations. Companies which never should have fallen into the government's hands--textile industries and such--were returned to the private sector. The strangest case is that of Spain. Here it is not a matter of ideological privatization, as in Great Britain, where the primary objective is to diminish the state presence in the economy. In Spain, it is a pragmatic privatization, conducted by a socialist government. Moreover, it is a reversal of the nationalization process conducted by a regime of the far Right, that of Generalissimo Franco. The motive is not that of Margaret Thatcher, but of a clear-thinking Left: if the state is to concentrate on its social responsibilities, it must free itself from the wasteful spending and from part of the public debt. The solution is to sell shares to the private sector, particularly shares of companies which only lose money, such as Seat, which between 1980 and 1985 ate up no less than \$3 billion from the Spanish Treasury. Seat is the most striking example, but there were similar cases of textile industries, hotel chains and so on.

The Brazilian Government complains that it has an extremely large debt burden, foreign and domestic, which is the absolute truth. According to the PMDB economists (or the "ecodebistas" of the "peneme" [nonsense anagram implying an oxymoron]), our deficit is "predominately financial," a result of the foreign and domestic debt service. First of all, this is accounting rubbish, because the deficit is the excess of expenditures over receipts and the molecules of expenditures cannot be stamped with markings differentiating those which cause and those which do not cause the deficit. In any case, however, if part of the public debt could be liquidated, the deficit would be considerably reduced. For the Shiites, the solution is simply to duck payment. This could produce a fine windfall if it were possible to couple it with an attack of amnesia on the creditors' part. The latter would be robbed, but with the loss of memory, they would continue to lend money to the Brazilian Government the next day. It remains to be seen how to bring on this amnesia, a matter on which the Shiite medicine has absolutely nothing to say. Discarding the Shiite prescription, let us look at how a company which is deeply in debt cleans house: it sells shares and opens its capital to the public. In Brazil's case, it would mean combining a privatization program with another one, converting the foreign debt into risk capital. The nationalists need not tremble in their shoes. It is not a matter of privatizing PETROBRAS [Brazilian Petroleum Corporation] or ELETROBRAS [Brazilian Electric Power Companies, Inc], if only because it would be difficult to find buyers, but there is no reason why Acos Finos Piratini, Mafersa, Cofavi, Caraiba Metais, Acesita and many other steel plants should remain on the government's shoulders, just as there would be nothing improper in putting TELEBRAS [Brazilian Telecommunications, Inc] up for sale to domestic and foreign buyers. Brazil would not be the poorer for it, since the steel plants and the telephones would stay exactly where they are; i.e., right here, and the state would be less indebted. Regarding the conversion of the debt into risk capital, the time has come to have done with preconceptions. It is a way of turning creditors into partners. It will be said that the conversion would cost something in terms of monetary expansion, since the Central Bank would have to turn over cruzados to the new investors. This could be avoided by handing over notes instead of cruzados, as is done in Chile.

Moreover, it should be remembered that the Central Bank receives cruzados from private Brazilian borrowers who promptly honor their foreign commitments. In

fact, it is not those who are privately indebted to foreign banks who have declared a moratorium, but the Central Bank. The former give the Bank cruzados which, instead of going into the common pot that finances the public deficit, might well be reserved for a program of debt conversion.

With chimeras and foolishness, the New Republic and its learned Constituent Assembly have put the Brazilian people on the fast train to Bangladania, a country as poor as Bangladesh and as isolated from the world as Albania. With a government so deeply in debt, with its politicians concentrating on distributing jobs without work and with the idea that slogans will fill the bellies of the poor, we are headed backward. Let us have no illusions; no matter how much they say about the BNDES and PAG projections, the fact that we have grown at an annual rate of 7 percent for the last 40 years does not mean we are destined to progress, that thefeat will be repeated for the next 40 years. We are threatened with stagnation, similar to that which the Peronist populism implanted in Argentina after 1945, with the difference that our income distribution is much more inequitable than that of Argentina and that we are having a population explosion. For almost 3 years, we have wasted time telling economic tall tales that have been disproved since the 1960's. The problem is that, during this same period, Brazil's population has grown by almost 10 million inhabitants, who cannot be fed or educated on the basis of folklore. Unlike our neighbors to the South, we have not yet come to grips with birth control.

Can we divert the bullet-train to Bangladania? It can be done, but we will require a surgeon who is capable of excising our cultural tics. Incidentally, it is not a matter of ideological transformation. The great national debate is not between the Left and the Right, but between modern and archaic. Felipe Gonzalez is modern; the "poire" group is archaic. The redaction of President Jose Sarney's privatization speeches is modern; the redaction of his decrees creating market reserves and sponsoring PAG's is archaic.

Behind the archaism is a myth that must be destroyed: that the state can create resources out of nothing, as if it were possible to mine the gold on the national [flag]. Having said this, it is essential to explain who pays the government's bills, and how. The retail sales tax, in the United States, is a good example of how it is made clear: the tax is added to the price of the item in front of the customer--8 percent in New York, 4 percent in Florida. It is an annoying operation, but it makes the taxpayer aware of how much his government is costing him. The Brazilian tax system does not offer this explicitness, since such taxes as the IPI [Manufactured Goods Tax] and the ICM [Merchandise Distribution Tax] are paid at various stages of the production and are hidden in the price paid by the consumer. It should be established that, on every item with the sales price marked on the package, it must be stated what part of the price represents taxes. That would alert the taxpayer, who in time would be less and less willing to vote for candidates who hand out public jobs at the taxpayers' expense. The government, in turn, would explain, in very clear budget presentations, what it is spending and at whose expense.

Without this kind of openness, democracy is a farce. The Constituent Assembly is leaning toward preserving an intricate system for the transfer of funds from the Federal Union to the states and municipios, through which, in addition to shrinking the money, it dilutes the responsibilities. The biggest contribution

of the PMDB and the current government to the cause of building democracy is the full freedom that has been established to point out foolishness. The truth is that the government has been massacring the business class and confiscating a record parcel of the workers' wages--all in the name of democracy, which is an injustice, because it has nothing to do with democracy.

Once we have dispelled the myth that the state can multiply loaves and fishes, the people could really voice their preferences: to have more schools, more medical assistance, more police protection, or even to pay public officials who have jobs but who do no work, to finance sugar mills or to cover the losses of the state companies; to welcome multinationals who bring in capital and technology and generate employment, or to repel them, to protect the charter capitalism of the Brazilian companies which grow fat at the cost of eliminating the competition; to participate as a group in the ownership of the state companies, without the right to sell off their individual share or the right to vote in the general assemblies, or to turn these companies into real corporations, with shares opened to individual buyers, in which any shareholder, no matter how small, has the right to demand and to protest. This democracy is the real thing--not to be confused with Coca Cola. The reason why the weak little plant to which Otavio Mangabeira referred must be lovingly nurtured is that no democracy can be kept alive with a blank check made out by the people to a particular class.

The systoles and diastoles to which the late lamented General Golbery do Couto e Silva referred are a metaphor for the political cycles of countries which are not structured for democracy. He perceived, even in 1981, that the systole of the AI-5 [Institutional Act No 5] regime, with its centralizing degeneration, would be followed by a diastole of a reorganization of the government, along with a process of political "abertura" [relaxation], Golbery noted. "Abertura" is a necessary condition if Brazilian society is to move forward, but it is not sufficient. A democratic regime mounted on the centralized, pharisaic, wasteful and irresponsible machine which is entrenched in the state will have the same fate as its predecessor; it will collapse.

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06362

50 FIRMS RESPONSIBLE FOR 40 PERCENT OF EXPORTS IDENTIFIED

33420018 Sao Paulo EXAME in Portuguese 30 Sep 87 pp 28,30,32

[Text] If Brazil's foreign trade has been running into some obstacles in recent years, the ranking of the 50 major exporting companies--prepared by EXAME on the basis of statistics from CACEX [Foreign Trade Department of the Bank of Brazil] and the publication MELHORES AND MAIORES--is noteworthy for its stability. The participating companies and their ranking are almost always the same and their weight in the country's overall export list varies little. Last year, when Brazil's exports came to \$22.4 billion, the 50 major companies accounted for receipts of \$9.1 billion, or 40.6 percent of that total. By way of comparison, the previous year, of the \$25.6 billion which fattened Brazil's foreign exchange reserves, 44.5 percent was earned by the 50 major exporters.

Of this prodigious group, 9 are state companies, 29 are privately capitalized national firms and the rest are foreign companies. The 3 leaders have not moved from the positions they held in 1985, but 11 of the 50 did not appear in the previous ranking. By sector, the big trading companies predominate, along with the food, mining, steel and automotive industries, with inroads by informatics, paper and cellulose, plastics and rubber, as well.

Drop in Income

In an analysis of the ranking, one immediate observation is that good performance in the foreign market does not, in itself, guarantee a good overall result for the company. Proof of this is that J.B, Duarte and Dover, both of which are in composition with their creditors, hold quite respectable positions on the list; they are, respectively, the 26th and 28th largest Brazilian exporters. Moreover, even the return on net assets has dropped in many companies (10 have shown negative results), although the average of 13.2 percent is quite acceptable. The income from assets took a beating, on one hand, from the freeze on domestic prices and, on the other hand, from the exchange freeze.

Also notable in the 1986 rankings is the 5.6-percent decline in total foreign sales of the 50 large exporters. This is a highly significant decline for companies to which the foreign market is so important; on the average, 62.1 percent of the receipts of these 50 companies are earned abroad. Playing a part in this, in addition to the notorious exchange freeze, was the pressure of the domestic market, which swallowed up parcels of the production which has traditionally gone to exports. This situation was quite temporary, however. In 1987, the

constriction of the domestic market and, in some cases, the stimulus of international prices are leading most of the companies to return to the foreign market--even moreso after the exchange incentive provided by the government in the middle of the year.

Decline in Petroleum Industry

Absolute first place in the ranking of the 50 major exporters goes to the state company CVRD (Vale do Rio Doce Company). Last year, the company exported \$881.8 million in iron ore and pellets to its customers in 20 countries--a result almost the same as that of 1985, because of the stagnation of the international market for raw materials. In conjunction with its pellet-producing associates (Nibrasco, Itabrasco and Hispanobrasco), the CVRD generated about \$1.5 billion in foreign exchange, but it expects to expand the volume to \$1.7 billion this year.

Second in the ranking, PETROBRAS [Brazilian Petroleum Corporation] suffered even more from the declining market. From \$1.8 billion in 1985, PETROBRAS' foreign sales tumbled to \$796 million in 1986, owing precisely to the intensification of domestic consumption, together with the low prices for chemical and petrochemical products abroad.

Strictly speaking, exports of petroleum derivatives commenced in 1957, but it was only in the 1980's that they grew substantially, reaching a record \$2 billion in 1984. "This year we expect to increase our exports to somewhere around \$1 billion, not only because we are again seeing a cooling off of the domestic market, but also because international prices have recovered somewhat," said Arthur de Carvalho Fernandes Neto, superintendent of the PETROBRAS trade department.

Life Raft

The companies in the EXAME ranking are not limited to those for which exports are merely a complementary part of their business, such as PETROBRAS, and which, as a result, restrict or expand their participation in the foreign market precisely in relation to the behavior of domestic demand. More often, they are companies whose results are closely tied to the performance of exports, either because the domestic market crisis promises to be prolonged or because the prices for their products on the local market are not remunerative.

For Fiat (seventh place), for example, exportation has been a kind of life raft. At the time of its arrival in Brazil, the expectation was that Fiat would produce primarily for the domestic market. However, the strong market retraction forced the company to become the biggest exporter in the automotive sector. From January to July, Fiat shipped 81,200 units abroad (principally to Italy, where the Duna and Duna Weekend models are in circulation), which represents 43.5 percent of all the exports of automobiles and light commercial vehicles by the sector.

For Goodyear (38th place), another company which obtains its income from exports, the option for the foreign market arose basically as an attempt to escape from the strict price controls imposed by the CIP [Interministerial Price Council]. "Today, 22 percent of our production is destined for export and this accounts for

75 percent of the company's profits," according to Ney Galvao Junior, chief of Goodyear's export department. Just 5 years ago, its exports were limited to \$10 million a year, but with membership in the BEFIEX [Commission for the Concession of Fiscal Benefits to Special Export Programs], that figure has now increased tenfold.

Innovations

The role of exports is not limited to maintaining the scale of production or bolstering receipts, however; entry into the foreign market almost always represents a qualitative leap for the company.

A good example in this regard is that of EMBRAER [Brazilian Aeronautics Company] (eighth place), which certainly owes its present size to the development of export trade. "In the last 3 years, practically two-thirds of our receipts have come from the foreign market," stressed EMBRAER president Ozilio Silva, noting that exports amounted to \$246.7 million in 1986 and could come close to \$700 million this year, an impressive leap of 183 percent. Moreover, according to Silva, the fierce competition abroad has forced EMBRAER into continuous technological advances. Today, the company's success abroad rests on the Bandeirante, Brasilia and Tucano models of aircraft. In the military area, there are plans to launch the AMX fighter plane, in several versions, and new alternative models of the Tucano.

Regarding civilian aircraft, the turboprop CBA-123 and new versions of the Brasilia are going into production.

Union of Small Companies

Among the 50 large exporters analyzed by EXAME, there are also companies created by groups especially for action in the foreign market, selling their own products or products manufactured by third parties. This is the case, for example, of Ford Industria e Comercio (fourth place); a member of the Ford Group, it has been in operation since 1973 and is devoted exclusively to the production of electronic automotive components for export. Considered the most profitable company of the Ford Group in Brazil, the FIC produces automobile radios, electronic ignition, modules for automatic speed control and commands for the windshield wipers, which will be installed in automobiles manufactured by the parent company and also by Ford of South Korea. Last year, the company's exports reached \$385.6 million and this year it expects to surpass this mark.

Philitrade (39th on the list), another company geared to exports, was created in 1979 by the Philips Group to export more than its own line of products. In the beginning, Philitrade was exporting shoes, orange juice, iron, steel and aluminum, but 2 years ago the company decided it was better to specialize in electronic products and components. Today, working with products from more than 40 companies (including Brastemp, Embraco, Continental 2001 and Sul America Informatica), Philitrade exports about \$100 million worth of merchandise annually. "We make it possible for many small and medium companies to export their products--companies which would not be sufficiently structured to operate in the foreign market," explained Lidia Meloni, tadde manager of Philitrade.

Domestic Option

In any event, it cannot be ignored that, no matter how much priority the government gives to exports, operating on this front involves high risks, particularly considering that Brazilian companies carry very little weight in the competitive international market. Ceval (of the Hering Group), the country's major soybean exporter and 15th on the EXAME list, is experiencing precisely this hazardous situation. Last year it suffered a loss of 86 million cruzados because of the soybean crop failure and the distortions in the post-Cruzado Plan price policy. This year, it plans to reduce its exports (planned at \$250 million in 1987) from 70 to 50 percent of total sales, reported Vilmar de Oliveira Schurmann, general director of Ceval. To this end, it plans to invest \$20 million in the transfer of one industrial unit from Santa Catarina to Mato Grosso, where it will produce margarines and vegetable fats.

Ceval's decision will serve to create a better market balance and, most certainly, to keep it from getting caught up in assessments of fluctuating situations, because, in this regard, 1987 will be entirely different from 1986. The current anemia of the domestic market, which stimulates exports, should continue to help in building up an excellent trade surplus and to have positive effects for the big exporters.

[Box, p 32]

Less and Less Exclusive Club

Some 10 years ago, when the American Chamber of Commerce in Brazil decided to create the "Million Dollar Exporters' Club" to reward companies with exports of more than \$1 million a year, reaching that goal appeared to be a real feat, considering the still incipient nature of Brazilian foreign trade. In fact, only 60 companies made the list that year, with an export volume of \$1.3 billion, or 10.7 percent of the country's total volume of trade. In 1986, however, 157 companies were entitled to the award, bringing in \$5 billion, or 21 percent of Brazil's total export revenues. "This demonstrates that, one way or another, the companies have responded to the appeals of the government and of associations like ours to expand their exports," declared Christopher Lund, president of the American Chamber of Commerce of Sao Paulo, which engages in various promotional, educational and informational activities to encourage exports.

160 members

Although the "Million Dollar Exporters' Club" is an initiative of the American Chamber of Commerce, it also admits Brazilian, German, Argentine and Japanese firms or firms of any other country which are active in the local market. These companies compete for the annual award offered by the association in 19 different categories, instituted in accordance with the NBM (Brazilian Marketing Standards). Currently, the Club has about 160 members. Of these, 41.8 percent export preferentially to the United States and Canada; 16.3 percent to Latin America; 22.5 percent to Europe; 3.4 percent to Africa; 5.4 percent to the Middle East and 10.7 percent to the Far East.

In 1986, among the 10 largest exporting companies in the Club were several companies that appear on the EXAME list, as in the case of General Motors, Ford Industria e

Comercio, Cargill, Volkswagen, NBR, IBM and Alcoa. The only reason the correspondence between the two lists is not even greater is that Club membership is restricted to private companies. General Motors, which has been a member of the Club since its inception, is a good example to the advance in Brazilian foreign trade in the Club's 10 years in existence. From export revenues of only \$13 million in 1977, General Motors jumped to \$250 million last year, an extraordinary growth of 1,823 percent.

06362

PAG GOALS SEEK REDUCTION OF SOCIAL INEQUALITIES

Rio de Janeiro O GLOBO in Portuguese 4 Oct 87 p 38

[Article by Mariza Louven]

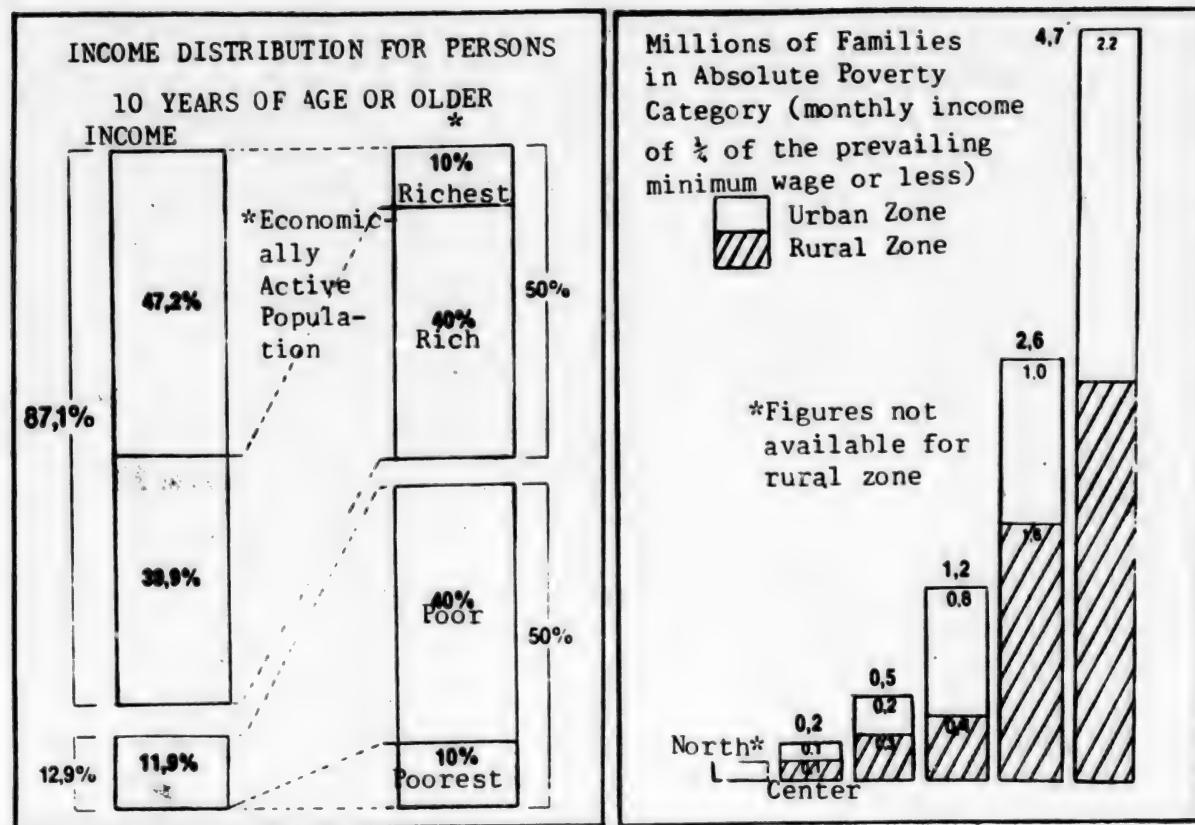
[Text] The government estimates indicate that the Brazilian population this year comes to a total of 141.4 million persons. Although the annual rate of growth, which is about 2 percent today, has been declining, the birth rate, estimated at 3.9 percent in the better developed regions of the country, exceeds 7 percent in the poorer areas of our national territory. The rate of population growth, which is still rapid, in a country which has to deal with a series of economic and social disparities, is probably the greatest challenge to be faced in the coming years.

The difficulties lie not only in the fact that the poorest half of the economically active population earns only 12.9 percent of the income, while the richer 50 percent receives 87.1 percent of it. It also lies in the rural migration and the burgeoning size of the major cities.

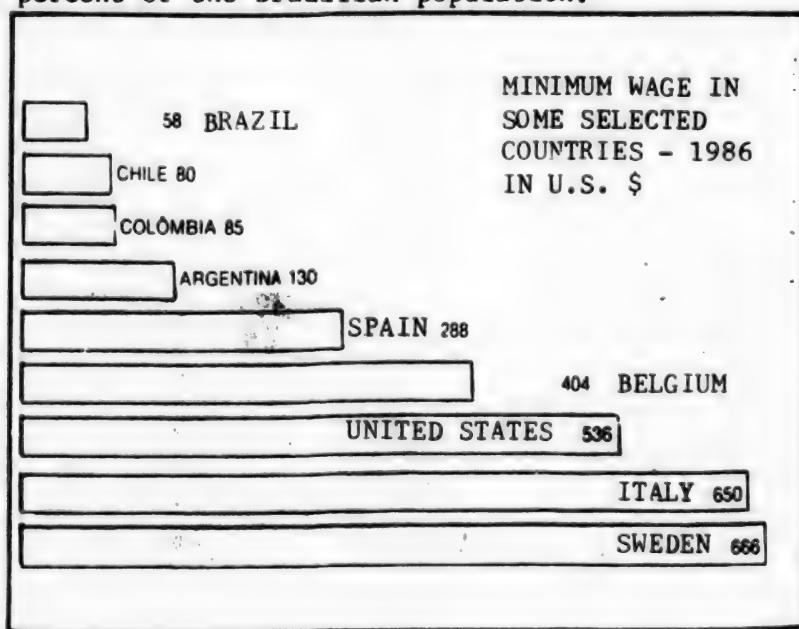
If the current trend were to continue until 1991, the population total would reach more than 154 million. The urban population would increase by more than 19.3 million persons, 7.8 million of them in the metropolitan regions. And the rural population would continue to decline as a function of the migration to the urban areas, estimated at 2 million persons for this period.

This real social situation is set forth in the Government Action Plan (PAG) for the period between 1987 and 1991 drafted by the Ministry of Planning. The document says that there are 7 million abandoned minors and 36 million minors in families with an income of less than two minimum monthly wages. As to the idle population, 8.9 million persons are included, representing 6.06 percent of the total. Of these individuals, 2 million have no income and 4.5 million earn less than two minimum wages.

A significant portion of the Brazilian population--10 percent--suffers from some physical disability. There are 6.5 million individuals who are mentally retarded, 1.9 million who are hearing-impaired, 600,000 who are sight-impaired, 2.6 million who are physically incapacitated, and another 1.3 million have multiple handicaps.



The origin of the main public health problems lies in inadequate access to basic foodstuffs, resulting from the limited purchasing power of a substantial portion of the population. The minimum consumption level of 2,249 calories per day recommended by the World Health Organization is more than the average consumed by 67 percent of the Brazilian population.



Nutrition is inadequate for 90.8 million individuals, and furthermore, 55 percent of the children under 5 years of age suffer from some degree of malnutrition, while the proportion reaches 86.4 percent in the Northeast.

Public expenditure per capita (per inhabitant) is only \$55 in this country. In a South American country which is less developed than Brazil, Venezuela, the figure is \$112. This is probably one of the reasons why 46 million individuals do not have access to outpatient care, while 24 million individuals have no access to hospital care and 11.4 million suffer from endemic infectious diseases (Chagas' disease, malaria and schistosomiasis).

Despite the positive development of some indicators, such as the drop in infant mortality from 117 per thousand in 1960 to 68 per thousand in 1984 and the doubling of life expectancy in this century, which is now 63 years, the picture is not very favorable in comparison with those in other countries, even in these respects. In Colombia and Argentina, for example, the respective infant mortality rates are 54 and 44 per thousand infants born alive. And the situation in the Northeast, where of every 1,000 infants, 115 die in the first year of life, is still more serious.

The inadequacies in basic sanitation set forth in the PAG can be summarized as follows: 24 million individuals live in housing without any type of plumbing; 46 million live in housing without treated water; 43 million have unsatisfactory sanitary facilities; and 60 million have no garbage collection.

From the time the National Housing Bank (BNH) was established in 1964 until last year, contracts were signed for 4.5 million in housing loans, representing 39 percent of the new housing needed to keep up with population growth. The interesting thing is that while financing for families with incomes of up to 10 minimum wages accounted for only 13 percent of the need, that allocated to those earning more than 10 minimum wages came to 23 percent of the need. The urban housing shortage today totals 7.3 million units, and there are 59.7 million individuals living in unsatisfactory conditions (slums, etc.).

Reduction of Social Inequalities Sought by PAG

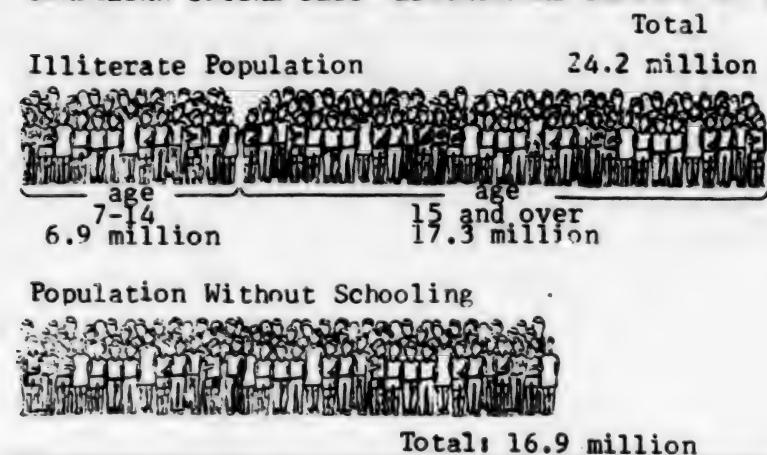
Despite the praises sung in prose and verse by various government leaders, the payment of the social debt is far from complete in Brazil. Although some critics regard it as too ambitious, the PAG proposes to reduce the balance owed on this debt. The main goals are to double the minimum wage by 1991 and to create 8.4 million new jobs. For each social sector, the study calls for the execution of specific programs.

It is estimated in the PAG that it will be possible to increase the supply of basic foodstuffs, raising the number of persons benefited from 11 million this year to a total of 16 million by 1991. It further calls for the distribution of school lunches to all pupils on the primary and preschool levels, with an increase from the 32 million served in 1987 to 38.1 million in 1991, and supplying 250 milliliters of milk per day to children under 7 in families with incomes of less than two minimum wages, with an increase in the children served from 6 million in 1987 to 15 million in 1991.

DEMOGRAPHIC SITUATION

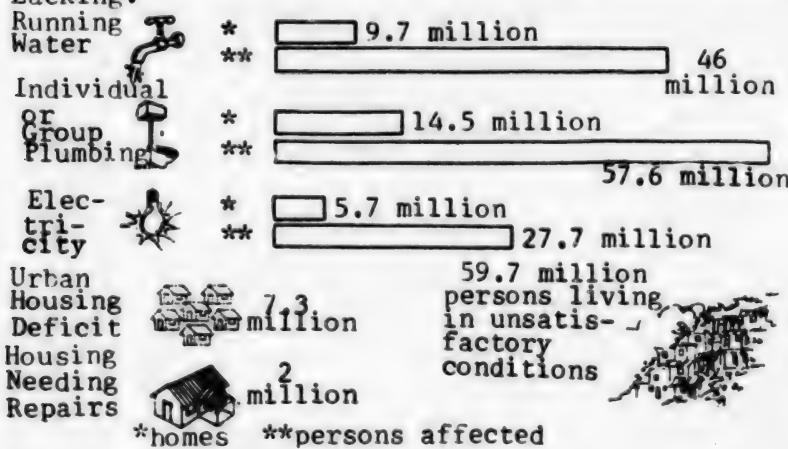


BRAZILIAN SOCIAL DEBT--EDUCATIONAL DEFICIT 1984



BRAZILIAN SOCIAL DEBT--DECENT HOUSING CONDITIONS

Lacking:



The program for the education sector calls for the following by 1991: establishment of facilities for 1.5 million children on the preschool level, 7.5 million on the primary level and 860,000 on the secondary level; distribution of 355 million textbooks for the primary level; 108,000 domestic

study scholarships and 19,000 for foreign study; execution of a school health program serving 10 million students; and distribution of educational materials to 220,000 schools, 30 million students and 1.1 million teachers.

The study calls for covering a part of the housing deficit to meet the needs of 35.1 million individuals, or 796,000 families, through urban development in the slums. An additional 1.4 million families will benefit from the urban development of building lots.

The PAG also calls for the construction of 1.3 million low-cost housing units and 3.1 million homes on the basis of a community program of houseraising bees. The Ministry of Planning technicians also want to carry out 124,000 infrastructure projects in housing complexes.

The goals in the health sector are to increase the installed capacity for public outpatient care by 30 percent, with the provision of 12,000 new beds; to restore 30 percent of the public outpatient network capacity and 20 percent of the beds, so as to enable the hospitals to accept 15.7 million patients per year; and to provide pharmacy service to 60 million individuals in the needy population sectors.

Where basic sanitation is concerned, the goals are to provide 4.9 million housing units with a water supply; to provide another 9.4 million with plumbing; to provide garbage collection for 70 million persons; to install 6.6 thousand kilometers of sewage pipe; and to dredge valleys and flood areas.

Payment of the social debt will also involve providing aid to 632,000 disabled persons, construction of daycare facilities to accommodate 4.1 million small children, and aid for 1.2 million children through the FUNABEM.

5157
CSO: 3342/0009

MILITARY PROTESTS AGAINST LOW WAGES DESCRIBED

33420013 Sao Paulo VEJA in Portuguese 28 Oct 87 pp 38-42

[Text] The government of President Jose Sarney, which at first was concerned about the generals, is now discovering that, in the military sector, the key word is captain. Last week, when there was calm among the ranks of generals, two captains were arrested for protesting against the low wages they were receiving, two others revealed a plot to set off bombs in military installations--without injuring anyone, but making clear their dissatisfaction with their base wage (see Table 2)--and, among all the young officers in the country, expectations were running high regarding a wage increase, which finally came out on Thursday. The military would receive a 41-percent increase in October, according to the decree signed by President Sarney, and by January they would be earning 110 percent more than they were last week (see Table 1). The very least that can be said about these readjustments is that they have come at the right time. From what we have been witnessing in the last few days, the lid is threatening to blow in the nation's barracks.

The most spectacular demonstration of the week occurred in Apucarana, a city of 100,000 inhabitants in the interior of Parana. There, eight municipal employees were taking their morning coffee before the start of the working day last Thursday, when the world fell apart. Suddenly, 50 armed men, in combat uniform, with machineguns, rifles and bayonettes drawn, stormed city hall. "I thought the military were staging a nationwide coup d'etat," recounted Sergio Luiz Baroso, one of the employees. Nothing of the kind. The military, assigned to the 30th Motorized Infantry Battalion [BIM], were there to talk about how much longer the month was stretching out after their pay ran out.

With trembling hands, but with a calm face, Captain Luiz Fernando Walter de Almeida, aged 35, the leader of the group, entered the office of the mayor, who was absent, took a hand-written document eight lines long from his pocket and read it to the municipal employees. "I declare that, on this date, dissatisfied with the financial situation and with the medical care provided to the men under my command, I have taken the initiative and the responsibility of protesting against the nation's political authorities," he declared, with the self-assurance of a university professor speaking at a faculty meeting. "I am proceeding in this manner before my subalterns or sergeants take the same step." He then returned to the barracks, where he took full responsibility for the incident and was placed under arrest. "None of the troops knew what I was about to do," the captain assured his superior officers.

Table 1. A Comparison of Military, Civilian Careers

(Military officers, Bank of Brazil employees and executives in private enterprise earn almost the same at the beginning of their careers. The difference is at the top, when a successful executive earns more than 300,000 cruzados.)

Army Officers					Bank of Brazil Employees		Executives in private enterprise	
Rank	Salário médio Sem reajuste	Salário médio Reajustado	Number	(3) Idade média Ao atingir a patente	(4) Tempo de serviço Ao atingir a patente	Job Description	(5) Salário médio líquido	A relação entre Idade, tempo de serviço e salários (6)
Lieut.	25 000	33 000	1 800	23	1	Supervisor (7)	35 000	(8)
Capt.	32 000	44 000	2 700	28	5	Gerente adjunto (9) de agência pequena	50 000	Entre 1 e 5 anos de trabalho, o executivo ganha de 30 000 a 50 000 cruzados
Major	40 000	54 000	1 800	37	14	Gerente de agência pequena (10)	80 000	Um executivo pode ganhar 100 000 com 40 anos de idade e 20 de trabalho. O militar só chega a isso, como general, aos 60 anos de idade (12)
Lt. Col.	50 000	68 000	1 400	44	21	Gerente de agência média (11)	90 000	
Col.	60 000	80 000	822	51	28	Gerente de agência grande (13)	90 000	Com 50 anos de idade, o executivo ganha mais de 100 000, mas, à estabilidade sua carreira pode estar cristalizada e decadente, superado por outros mais jovens! (14)
Brig. Gen.	70 000	94 000	94	58	35	Gerente de agência especial se tiver mais de 30 anos de serviço (15)	115 000	
Maj. Gen.	80 000	107 000	43	62	39	Chefe de departamento se tiver mais de 35 anos de serviço (16)	120 000	Em tese, os 18 generais de 4 estrelas são os mais competentes de sua profissão. No mundo civil, quando um profissional chega a essa situação depois de 40 anos de trabalho raramente ganha menos de 300 000 mensais (18)
Gen.	90 000	120 000	18	66	43	Chefe de divisão se tiver (1) mais de 35 anos de serviço	120 000	

* Not including the 4 years of military school, which are computed into retirement.

Key:

1. Unadjusted average wage.
2. Adjusted average wage.
3. Average age at which rank is reached.
4. Time of service on reaching rank.
5. Average net salary
6. Relationship between age, length of service and salary.
7. Supervisor.
8. Between 1 and 5 years of service, executive earns from 30,000 to 50,000 cruzados.
9. Assistant manager, small branch
10. Manager of small branch
11. Manager of medium-sized branch.
12. Executive can earn 100,000 cruzados by age 40 with 20 years of service. General reaches this bracket at 60.
13. Manager of large branch.
14. At 50, executive earns more than 100,000 cruzados, but at this point his career is crystalized and he may be overtaken by younger men.
15. Manager of special branch, with more than 30 years of service.
16. Chief of department, with more than 35 years of service
17. Chief of division, with more than 35 years of service.
18. In theory, the 18 4-star generals are the most competent in their profession. When a civilian reaches this status, after 40 years of service, he rarely earns less than 300,000 cruzados a month.

Phone Call from Portugal

Ironically, the scene in Apucarana took place 4 weeks after the military in Foz do Iguacu, also in Parana, armed with rifles and fixed bayonettes, gave chase to a group of workers agitating for wage increases at the Itaipu power plant. On that occasion, a worker was wounded by a bayonet, but the incident did not concern the nation's authorities nearly as much as the one at Apucarana, where it was the bayonet wielders themselves who were demanding higher wages. As soon as the report reached Planalto Palace, it was conveyed to President Sarney's office by generals Ivan de Souza Mendes, chief of the SNI [National Intelligence Service] and Rubens Bayma Denys, chief of the military household. Sarney, who had ordered the draft of a decree adjusting military wages, signed it that very afternoon, in the absence of Army Minister Leonidas Pires Goncalves, who had not yet returned from a trip to Saudi Arabia. In the afternoon, Sarney reassured Mario Soares, president of Portugal, who had telephoned him just to ask about the Apucarana revolt, and the military authorities sought to play down the captain's act of rebellion, even offering lenient comments which, making excuses for the breach of discipline, revealed a weakness of authority on which rebellion feeds itself. "God knows how much pressure he was under," declared General Haroldo Erickson da Fonseca, acting minister of the army. His colleague, Aeronautics Minister Moreira Lima, read from the same breviary. According to the aeronautics minister, the wage increase given to the military would put an end to the disquiet in the barracks.

This lukewarm reaction to a serious act of rebellion is strange and significant, particularly when a generalized nervousness is observed among the officers. The same Minister Leonidas Pires Goncalves who scolded the members of the Constituent Assembly--in a cabinet meeting he called them radicals and the response was respectful silence--was last week in the uncomfortable position of seeing a commotion in his own rearguard. The insurrection of Captain Almeida, who stormed city hall, dressed for battle, could be called an exception. You could also describe as exceptional the protest of the other captain, Sadon Pereira Pinto, who handed a written complaint to his superiors in the ESAO [Officer Training School] in Rio de Janeiro. The problem is that the exceptions are representative and almost certainly coordinated. The captain of Apucarana was always an excellent student at the Agulhas Negras Military Academy and at the ESAO and, until last week, was well thought of. Mixing an exemplary past with a disastrous present, he found himself even winning praise from Lieutenant Colonel Aricelso Limaverde, his superior in the 30th BIM, who assured: "He is a good officer, highly professional." The judgment might be correct, but the colonel chose the wrong time to make such a statement. Taking another tone, General Edison Boscacci Guides, military commander of the Southern Region, hit the mark: "The [captain's] incoherent attitude compromises the image of the Brazilian Army," the commander declared in an official note distributed on Thursday.

Triple Deceit

Only an IPM [Police-Military Inquiry] could demonstrate the degree of connection between the captain and other officers. In Apucarana, Arioaldo Zanoni, secretary general of the PMDB [Brazilian Democratic Movement Party] and chief of the office of the mayor, even doubts that any such connection exists. "The operation was too pat," he said. According to Zanoni, Capt Walter de Almeida is a member

Table 2. Comparison of Advantages of Military, Civilian Careers

Advantages		
	Military	Civil
Aposentadoria integral (1)	✓	
Estabilidade no emprego (2)	✓	
Possibilidade de rápida ascensão profissional (3)		✓
Promoção assegurada (4)	✓	
Assistência médica gratuita (5)	✓	
Possibilidade de escolha da cidade onde vai morar (6)		✓
Liberdade da mudança de emprego (7)		✓
Impossibilidade de receber (8) ordens de pessoas mais jovens	✓	

Key:

1. Full retirement benefits.	5. Free medical care
2. Job stability.	6. Possibility of choosing city of residence.
3. Possibility of rapid career advancement.	7. Freedom to change jobs.
4. Assured promotions	8. No possibility of taking orders from younger men.

of the SNI. The fact is that his action should be seen as the act of an intelligent individual, for several reasons. In occupying the mayor's office, Almeida showed he preferred to deal with the civilian authority. If he had tried to occupy the office of his commander, his action would not only have been riskier but could have had more drastic repercussions for him. He was being valiant at the expense of the absent mayor. His story that not even the lieutenants who accompanied him knew the nature of the mission to which he had called them might be true, but it suggests that there is some question about the mental acuity of these officers, who were not at all suspicious when the men entered city hall with weapons drawn, with canteens at the waist and in camouflage uniform.

Finally, there is threefold deceit in the captain's brief manifesto. In his document, he protests against the "political" authorities of the country, when it is the "public" officials who are responsible for wages. By the captain's choice of words, Deputy Amaral Netto, leader of the PDS [Social Democratic Party] in the Chamber, would be among the authorities competent to solve the problem of the military, which is unjust. The captain says he trusts in the higher-ranking officers and is acting on his own, before his subordinates take the initiative and do it themselves. Thus, he is cleaning up ahead of him and behind him.

Middle Class Values

No matter how isolated the demonstration by the captain of Apucarana may be considered, military authorities were unanimous last week in assuring, even before the initiation of an IPM, that his action dramatically illustrates the level of dissatisfaction among Brazilian military officers. One of the oldest traditions in any study of the military is to ascertain social backgrounds. In this regard, no new data have emerged since Brazilian scholar Alfred Stefan, historian of the Americas, produced a detailed study of the matter in the 1970's, but it is known that more and more cadets are coming from proletarian districts. This observation would be unimportant if it did not indicate that, because of the low pay, a military career is no longer attracting youths with more ambitious pretensions. The fact is that, whether he is an officer of the landed gentry, such as Captain Emilio Garrastazu Medici, whose family owned estates, or one who comes from a poor district, the military man always looks to middle class values. With this almost invariable outlook, the officer would be uncomfortable living in an apartment on Avenida Vieira Souto, in Ipanema, just as he feels out of place in a marginal district. And today, with the wages paid them, lieutenants, captains and majors are confronted with the worse of the two evils; they are living below the standard of the middle class.

Army Minister Leonidas Pires Goncalves himself is the first to acknowledge the existence of this trap. Recently, attempting to convince Luiz Carlos Bresser Pereira, his colleague in the Finance Ministry, to give the military a raise, Leonidas cited the case of a major who was transferred to Porto Alegre, on a salary of 35,000 cruzados and a housing cost of 25,000 cruzados awaiting him at the new post. The military have some obvious advantages, among which is a career with guaranteed promotions, retirement with an income equal to that of active service and the protection of a solid institution--more or less the same situation as that of the priesthood. However, all this begins to lose its lustre when the officer discovers he can no longer afford decent housing. When he compares his income with that of officials of the Bank of Brazil, the most highly qualified bureaucracy in the country, he feels he is at an inferior level within the public administration. And the comparison is even worse when he examines the situation of executives in private enterprise. "The military are discontented, like any other category of wage earner," said General Alberto Evilasio de Barros Gondem, Pernambuco's secretary of public safety, commenting on the Apuracana incident. "Except that even the metalworkers of Sao Paulo's ABC [industrial areas of Greater Sao Paulo] have more bargaining power than our men in uniform," he added.

Domestic Crisis

At a time when even a reserve general is talking this way, one can understand the anger of captains and majors, who are earning much less, and the concern in the higher echelons of the Armed Forces, which are aware of the strength of the mid-level cadres. In the Army, there are more captains than any other category of officer. Captains and majors combined form a larger contingent than all the other ranks put together, but the equation only shows its troublesome side when one examines the role of captain and major among the troops: while the generals are in charge of charts, maps and battle plans, captains and majors are dealing

directly with the mass of uniformed men, functioning as lines of transmission between the summit and base of the force. Marshal Henrique Teixeira Lott, minister of war in the administration of Juscelino Kubitschek, owed most of his reputation to the fame he had achieved as a great captain. "I would like to be half as good as a cadet thinks he is," General Goes Monteiro, a high officer in the New State, used to joke. He also felt that a captain is twice the man that any cadet can be. And it is these men, from 28 to 45 years of age, who are being paid the wage of a bilingual secretary precisely when they have the greatest family expenses and are entering a period when their careers are being solidified, at the point of no return.

Add another factor and the picture is worse. Officers' wives, who were mostly homebodies two decades ago, today often have the qualifications to earn more than their husbands. This puts a captain under serious family pressure. One day it becomes clear that, with the constant moves from city to city, he has compromised his wife's profession and he has not made up for it in the joint bank account. The crisis has formed. It is born in the home, flourishes in the barracks and takes root in the institution as a whole. "I am obviously concerned about the possibility that the example of the captain from Apucarana, who sat down at the mayor's desk, could be followed by higher-ranking officers," said former Justice Minister Fernando Lyra, PMDB deputy. "Now the climate is not one of a coup. It is one of hunger." Before last week's wage adjustment, a lieutenant was earning 25,000 cruzados, the price of a two-room apartment in a middle class district in Sao Paulo or Rio de Janeiro.

To meet the challenge created by these situations, it is first necessary to attack the housing problem--the most troublesome for intermediate officers and the most complex for the government, which is already supporting an army reserve as large as the active army. This would deal with the general problem. Regarding localized incidents such as those of the ESAO and Apucarana, we must start from the premise that there was a breach of military discipline and that steps must now be taken to restore control over the foci of rebellion. To believe that the bravado of Captain Almeida was an isolated act is to see it in the same light as the case of Captain Messias Bolsonaro, who wrote an article of protest a year ago. Today, Bolsonaro is talking about bombs. However, there is one thing that must not be done: calling in the Urutu, as occurred in the Sarney administration on the occasion of a strike in the Central, in Rio de Janeiro, 6 months ago, or during the ruckus in Brasilia last November.

[Box, pp 40-41]

ESAO Plot: Bombs in the Barracks

Last Wednesday, Captain Sadon Periera Filho was placed under arrest by orders of the command of the ESAO, in Rio de Janeiro, after he presented a handwritten note to his superior officer, demanding higher wages for the troops and criticizing the government's wage policy. On the same day, VEJA reporter Cassia Maria went to the Vila Militar, a group of army residences and installations in Rio's Northern Zone, and spoke with two captains who are attending the ESAO and with the wife of one of them. Unhappy with the arrest of their comrade, with their wages and with the behavior of the leadership of the Army Ministry, the two officers revealed a plot which the wife called 'Dead End,' in which the plan was to set off

bombs in various units of the Vila Militar, the Agulhas Negras Military Academy in Resende, in the interior of Rio de Janeiro State, and in various barracks.

The reporter's contacts with the military officers were conducted under a confidentiality agreement, but when they began to talk about bombs and attacks, the maintenance of any gentlemen's agreement was out of the question. Following is the reporter's story.

"I was received in Apartment 101, Building 865, Avenida Duque de Caxias, by Ligia, wife of the captain who identified himself only as 'Xerife.' He arrived a few minutes afterward, at about 1800 hours; he told about his participation in the group of ESAO officers who are leading a movement for wage increases, a group now under investigation by the Army intelligence service, and said I would soon have some news to report in this regard. A little later, Captain Jair Messais Bolsonaro arrived. In September 1986, Bolsonaro signed an article printed in VEJA protesting the low wages paid the military. At that time, he was arrested and there was a wave of protest from the officers' wives against the disciplinary action. 'They are scoundrels,' declared Bolsonaro, commenting on last Wednesday's arrest. 'They ended today's classes early so that most of the students would have left the school when they arrested our comrade.'

"Then Bolsonaro reported that the students of the ESAO, where 350 captains are in attendance, even planned to remain in the barracks during the 2 days of Capt Sadon's confinement, in an act of protest.

"At that point, the door bell rang again. Ligia took me into one of the bedrooms, so I would not see the officer who had just arrived. In the few moments we were there, Ligia told me some details of operation 'Dead End.' The plan consisted in using bombs to protest the military wage adjustment rate which the government would announce in the next few days. If the readjustment was below 60 percent, some bombs would be set off in the ESAO bathrooms, always taking care to avoid injuring anyone. Simultaneously, bombs would be exploded in the Agulhas Negras Military Academy and in other Army units. 'There won't be any danger,' Ligia assured me. 'They will only be small explosives, to frighten the minister. Just enough so President Jose Sarney will understand that Leonidas does not have control over his troops.'

"Ligia asked me to swear not to comment on the matter in front of Bolsonaro and Xerife. When we returned to the livingroom, after the third officer had left, the conversation turned to Army Minister Leonidas Pires Goncalves. 'We have an incompetent and even racist minister,' Bolsonaro said at one point. 'He said in Manaus that the military are the best payed class of bums in the country. We can only agree that he is really creating bums, because nowadays a soldier spends a whole year painting the curbs white on the Army base, in expectation of a visit from the generals, or doing K.P. and standing watch.' I asked if they were planning some major action in the barracks. 'Just setting off some firecrackers,' Bolsonaro joked. Later, speaking seriously, they confirmed the operation which Ligia had called 'Dead End.' 'We talk and talk and they do not settle anything,' they said. 'Now the personnel are thinking about exploring some sensitive areas.'

"Speaking without any restraint whatever, Captain Bolsonaro gave a detailed description of how to build a clock-bomb. The explosive would be trinitrotoluene,

T.N.T., ordinary dynamite. The officers' plan was designed to avoid having victims. The interest was to demonstrate the dissatisfaction with wages and to create problems for Minister Leonidas. According to Bolsonaro, if one day the army minister decided to put together a military coup, 'he would be overthrown by his own troops, which would refuse to follow his orders.' 'Our Army is a national disgrace and the minister is turning out to be another Pinochet,' Bolsonaro declared.

"We talked for 2 hours. During that time, we also talked about former President Joao Figueiredo's plans to become a candidate to succeed Sarney. 'He could count on major support,' Xerife said. 'We would give Figueiredo a chance to complete what he was unable to finish,' said the officer, without explaining what project of the former president he was referring to. Reluctantly, Bolsonaro also told a little about his formal relations with General Newton Cruz, former chief of the central agency of the SNI. According to the captain, he and Cruz speak frequently by telephone and the captain expects the general to arrange a meeting with Figueiredo, perhaps next month. The 'Dead End' plan was confirmed by another officer who is not a member of the ESAO group.

"On Friday, speaking by phone with Bolsonaro, I asked if the president's announcement meant the cancellation of operation 'Dead End.' 'People are thinking about holding off until November, to see what happens,' the captain explained. 'But if they wait too long, they will end up not doing anything.'

"In this telephone call, Bolsonaro explained: 'I am out of it.' And he said: 'They are only some firecrackers. We are not going to run the risk of losing part of our corps.' Regarding Capt Luiz Fernando Walter de Almeida, who occupied the mayor's office in Apucarana, Bolsonaro said he was a fellow student. 'The soldiers who accompanied him in the protest are not naive,' he assured. 'They knew where they were going.' Nervously, Bolsonaro warned me once again not to print anything about our conversations. "You know what terrain you are entering, don't you?" I replied: 'You must remember that I am a professional.'"

06362

BRAZIL

PURCHASES, COSTS OF ARMY FT-90 MODERNIZATION PROJECT VIEWED

33420001b Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Sep 87 p 18

[Text] Brasilia (AGENCIA ESTADO)--For grandiose programs such as the FT-90 [Ground Forces for the Year 1990]--the Brazilian Army's ambitious modernization project--the initial budgetary appropriations were stated in dollars (\$500 million) derived from external sources. As of the end of 1987 these funds will already have been used up, and the Army has already launched another campaign in search of funds to purchase 52 helicopters abroad, for an estimated outlay of approximately 4.7 billion cruzados. Just this portion of the FT-90 project alone is equal to 1.2 percent of the government deficit forecast for this year, which the government hopes to limit to 3.5 percent of the GDP (estimated at 390 billion cruzados).

The defense of Brazil--understood as the defense of law and order carried out by the Armed Forces--was not only part of a persistent demand made by the military in the National Constituent Assembly but may prove to be--ironically--one of the items most responsible for increased government expenditures during 1988. Of the total of slightly more than 275 billion cruzados appropriated for the Army, Navy, and Air Force, "national defense and public security" were the items most favored: 211 billion and 105 million cruzados, respectively.

The Air Force--the branch that received the largest budget for fiscal 1988 (118,705,735,000 cruzados)--has earmarked for national defense and public security the sum of 67 billion cruzados. In the Navy--with a budget of 81.546 billion cruzados--the item "national defense" accounts for 71.718 billion cruzados. Lastly, in the Army, of a total budget of 74.692 billion cruzados, national defense and public security received slightly more than 72 billion cruzados.

Whether the intention--given the complexity and high degree of verbosity attained in the budget bill--was to facilitate the distribution of budgetary appropriations or to standardize the military terminology--the fact is that the category of "national defense and public security" ended up by encompassing almost all the projects and activities of the Armed Forces. This category accordingly came to include the financial management of the foreign debt contracted by the Armed Forces as well as the territorial defense properly speaking, the construction of quarters, the feeding of personnel, and the reequipping of the Army, Navy, and Air Force.

It is hard to say which reequipment program is the most expensive. The Air Force is engaged in the extremely expensive project to build the AMX, a supersonic aircraft that is not expected to go into series production until 1990. In the Navy, the reequipment program involves--in addition to the project for construction of a nuclear reactor, estimated to cost 3 billion cruzados--the construction of polar ships and the purchase of an oceanographic vessel, among others. It is the Army, however, that is pursuing the most ambitious program of modernization, with the creation of the FT-90 project--which stands for the "Ground Forces for the Year 1990." The minister of the Army, General Leonidas Pires Goncalves, argues that this reorganization is necessary not only as a means of motivating the professional soldier but also to give the Army the capability to carry out its constitutional mission.

This project provides for the purchase--over the short term--of 52 helicopters by competitive bidding, the bids to be opened on 23 October. FT-90 has already consumed--in 1986 and 1987--sums totaling more than 10 billion cruzados, which were spent on the most varied items.

The Army has compiled a generalized list of some of the acquisitions for the FT-90 project, as follows: 181 new tanks of the Cascabel type, from ENGESPA [Specialized Engineers, Inc.], together with the modernization of an additional 52 Cascabel and Urutu tanks; 1,335 rifles of the FAL type, in addition to 1,931 Parafals and 1,723 trench knives; 115 data-processing systems; 4,000 grenades and other ammunition; 40,000 canteens, 50,000 fiber helmets, 30,000 messkits; 60,000 sacks for clothing, and 20,000 pieces of equipment for soldiers armed with FAL rifles; 1,000 camouflage nets, cranes, power shovels, and graders; 2,000 life jackets; 2,000 meters of pontoon bridges, hundreds of meters of movable metal bridges, 400 small boats and launches, 300 outboard motors, and 150 mine detectors; 1,038 VHF radio sets, and 100 HF radio sets for telephonic and telegraphic communications; 1,286 field telephones; and 1,250 kilometers of double wire for field telephones, together with 1,024 pieces of various equipment for the construction of field telephone lines.

Other items listed for acquisition in the category of heavy equipment are: 26 Bofors 401/70 antiaircraft guns; 13 pieces of EDT-Fila equipment; 33,000 Mark II fuzes; and 13,339 40-millimeter grenades. Other noteworthy items--unspecified as to quantities--include 155-millimeter howitzers and 84-millimeter recoilless guns.

As part of this initial expenditure of \$500 million, the expansion of quarters for personnel involves the construction of 1,000 residences, two new barracks for antiaircraft artillery groups, and an additional 1,000 unspecified installations (including the border platoons and the electronic warfare training center). Also included are the expansion of the Agulhas Negras Military Academy, the Sergeants' School, and the Ordnance School. There are also contracts for the manufacture of the Army's new uniforms, for an effective force of 151 generals; 17,610 officers; 38,800 sublieutenants and sergeants; and 139,000 corporals and privates.

The Army does not like to give detailed information concerning its expenditures on equipment, arguing always that everything is within budget estimates.

A Sensitive Congress

Although much of the equipment has already been purchased, the projections for the next 3 years attest to large increases in investments for the ground forces. According to Army officers, this is precisely because the Army spends 90 percent of its budget on operating expenses, while investments properly speaking consume only 8 percent.

The demands of the Armed Forces have already even succeeded in sensitizing a considerable number of the members of Congress, who have promised to fight in that body for increased military budgets. This funding is in actuality never limited to the initial budgets, filled as they always are with innumerable supplementary credits coming either from abroad or even from the overcollection of the income tax, as happened 3 months ago.

The Army believes that these expenditures are perfectly justifiable; and concerning aviation, it declares that in addition to being of priority importance for the FT-90, aviation is "for the Army a doctrinal imperative."

What can induce a country to invest so heavily in its armed forces? Many civilians believe that this investment could bring about a higher level of professionalization of the Brazilian military and induce them to forswear their political interventions.

Senator Afonso Arinos, however--based on his experience with so many military coups--counters this argument by warning that intervention will take place independently of a greater or lesser degree of professionalization. As he explains it, this is because the doctrinal concept of the Armed Forces includes both internal and external defense, and in the case of the former even intervention in the government is allowed, provided that it is done in the name of "law and order."

10992

STATUS OF VOTER REGISTRATION EXAMINED

Growing Interest See. in Registration

33480014 Santiago QUE PASA in Spanish 1-7 Oct 87 pp 12-13

[Article by M. Elena Fernandez: "At This Rate, It's Going"]

[Text] One out of every three Chileans has already been enrolled in the Electoral Registers. The boards are registering an average of 120 persons every 3 hours, and the 100,000 per week mark has now been exceeded. The speed is heightening and, if this pace continues, very soon all those over age 18 who meet the requirements will be registered. Mention should be made of 31 August: On that date, the record was set: 26,016 persons were registered, nationwide.

Authorities from the government, the Church, the political parties, and the Committee for Free Elections (which convoked three drives for enrollment in the Electoral Registers between 3 and 5 September) have made many appeals to the community, concerned over the apathy that was noted during the first months of the Electoral Register's operation. Andres Merino, deputy director of Electoral Registers, commented: "The Chilean is reluctant to sign up for anything until he is convinced that it will bring results." He claims that, when it is time to register, people react more to weather factors and disasters than to political appeals or those from the Church." According to reports prepared by that agency, the weeks with the smallest numbers of registrations were those when Pope John Paul II was in Chile, and the days before and after his visit, which mobilized the entire country. Another time when disturbing levels were reached was on the occasion of the storms in July and August, and the earthquake in Arica, which occurred during the same period. On the other hand, the last 2 weeks of August brought "outstanding" results: a situation that has continued to date in September, reaching an enrollment of 21,130 persons per day. However, Marino stressed, the best advertising for the system has come from those who have already completed the procedure. "The best days are Mondays, and those following a day of celebration."

Another interesting factor to be stressed is the participation of women, very slight at first, but rising appreciably. At the start of the process, 57 percent of those registered were men. By the end of August, that percentage had dropped two points (to 55 percent, approaching parity with respect to sex, although some claim that the female population outnumbers the male).

How Are They Organized?

The country's 517 boards are distributed among all the communities with a municipal headquarters. They were situated at the rate of one, two, or three per community, depending on the local population and the number of persons that could suitably be served by a board. Generally, in comparison with 1973, there was an increase in the number of boards per community. There are some examples: La Granja, which had an increase of from one board to three; Las Condes, which also had one, and now has eight. Despite the increase in boards, they have proven insufficient in communities such as Calama, San Bernardo, and Maipu, among others. One solution to this problem is to extend the schedule by 2 hours, and also provide service on Sundays. The latter suggestion is unlikely because, according to statistics, Saturday is the day with the lowest number of enrollments and, when this fact is projected for Sunday, it is presumed that the number would be even smaller.

Andres Merino notes that, among the proposals, consideration has been given to the possibility of forming itinerant boards, to imitate the good results brought by the fact that the Civil Register goes out to private business firms or offices to provide for the paper work (such as the procurement of an identity card). Regardless of how positive this solution may appear, it has also evoked some objections. The selection of the group to be enrolled could give reason for some more suspicious individuals to think that an attempt is being made to benefit a certain political party or movement in particular. Merino: "The Chilean's character requires formality, because we are all very good at looking beneath the surface. The system must be impartial, and the Electoral Register must be kept neutral, and not lend itself to partisan criticism."

On 22 September of this year, the Official Journal published the law allowing an extension of the timetable for the boards' service and, on the other hand, authorizing the director of the Electoral Service to stop the operation of certain enrollment boards, so that they would provide service only during two periods of the year, or else be open during the first 7 days of the month. This is because, in the rural communities, 60 percent of the population has already been enrolled; whereas other communities (such as Antarctica, Juan Fernandez, Tarapaca, or Magallanes) have such a small population that the high cost of maintaining a board is not warranted (each of the three members of the enrollment boards receives a monthly salary equivalent to a tenth of a tax unit, 16,000 pesos, as well as an incentive of two pesos for each person that he enrolls).

However, the Electoral Register is preparing to offer better service, and to prevent people's having to wait a long time to register, even though the service notes: "The system requires personal sacrifice, because, to lay the groundwork for a democracy, the least we can do is give a few hours of our time." Experience, and that trait typical of our character (leaving everything until the last minute) prompt the supposition that the interest in enrolling will increase as the date of the elections nears, or when there are rumors of their imminent occurrence. But it should not be forgotten that, according to the old election law, the electoral registers closed 120

days before the elections; and, thus far, there is every indication that this regulation will continue, because it affords an opportunity for making a complete inspection of the records, in other words, "a house-cleaning."

Projection in Time

As we have observed, the pace of registration is accelerating with giant steps. From an average of 13,245 persons daily, at the end of August and the first of September, figures of 20,000 and more were attained. On 1 September, there were 19,700 registrations; on 2 September, the number was 21,500; and on the following days, much larger numbers of persons than the average were enrolled, with 23,800, 26,200, and 21,300 registrations per day. If this continues, a total of 500,000 registrations per week might be reached; and so, in another 4 months, the total would be 6 million: a figure which the Constitutional Court, in a preceding decision, deemed necessary for holding the plebiscite. This is an extremely significant point, because the plebiscite cannot be held after January 1988; but events warrant the prediction that it will take place on 11 September. Gonzalo Martner, an economist from the Nunez PS [Socialist Party], would be satisfied if 5 million persons were registered; because with that number there would be the necessary total for winning over the opposition. This is based on the polls, giving 33 percent to President Pinochet, equivalent to 2 million persons; therefore, any figure over 5 million would give them the victory. Government projections claim that, in December, there will be 4 million registered, and in March, 5 million.

The Armed Forces received orders to register in May, thus evoking an entire national controversy which, however, served to establish the fact that they (those in uniform), like other Chileans, will participate in the next elections. And, this week, public employees (about 300,000) will also receive orders to register. There is nothing unique about this order; rather, it adheres to the Administrative Statute of 1960, demanding electoral registration as a requirement for fitness for employment.

Nevertheless, those in charge of the process consider it unnecessary to resort to penalties or obligations as an incentive for registration, because the latter "will proceed on its own merit."

Month	Daily Average	Total Registrations
February (4 days)	14,539	58,157
March	10,400	271,891
April	8,900	206,922
May	12,368	296,834
June	15,812	379,495
July	13,798	372,541
August	17,623	440,577
		2,026,417

Source: Electoral Register Service

Current Registration Statistics Listed

Santiago CAUCE in Spanish 28 Sep-4 Oct 87 pp 26-28

[Article by Sergio Edwards and Gonzalo Daniel Martner: "Citizens, Acts and Rights"]

[Text] Social mobilization on behalf of free elections, based on the mass-scale enrollment in the electoral registers, will cause the political defeat of General Pinochet's regime, thereby paving the way for a democratic alternative in Chile.

Chilean men and women have become aware of the importance assumed by the process of enrolling in the electoral registers, and they are engaging in it en masse. Parties, social organizations and trade unions are multiplying unified action at the rank and file level, to confront the new political scenario. United committees are being formed in neighborhoods, clubs, factories, and work places, schools, communities, provinces, and leading centers of activity.

Goal: to organize in order to oversee the registrations, and report any fraud hatched by General Pinochet's regime.

The number of enrollments in the electoral registers during August of this year totaled nearly 441,000 persons, representing an 18.1 percent increase over the number of those enrolled in July.

The cumulative total as of 31 August was 2,026,417 voters; representing 25.6 percent of those over age 18, and 16.2 percent of the country's entire population. Table No 1 illustrates this progress in the most heavily populated regions, as well as in the total population and those over age 18.

According to the figures from the government agencies, for the period 1987-88 it is possible to estimate an enrollment that would reach the historical precedents, based on the voters as a whole with respect to potential voters. This should be approximately 6-6.7 million voters.

If the current enrollment rate increased to 22,000 persons per day, that is, if it rises by 24.7 percent over that in August, a monthly average of 550,000 new voters would be attained, and there might even be a mass of enrollments totaling 7 million citizens by the end of 1988. This increment would be obtained by a linear projection of the trends; because the daily average for the last 2 weeks of August was 21,130 registrations, and the day with the largest number of registrations was Monday, 31 August, with 26,016 enrolled.

Real Community Situation

The status of registrations on the level of the country's communities, grouping the 335 communities in the national territory in descending order, based on the available information on their populations as of 30 June 1987, makes it possible to establish a preliminary approximation of the real community situation:

a. The 59 largest communities (with over 70,000 inhabitants and a top figure of 300,000 inhabitants for Vina del Mar) contain 67 percent of the country's total population, and 59 percent of the total registered as of 31 August.

It should be noted that the universe of population over age 18 is not available on the community level, but only on the level of regions and the nation as a whole.

b. As one infers from the foregoing, although these 59 communities have the largest population density, the rate of electoral registration stands in the category of medium to low, compared with the national average: between 13.4 and 15.2 percent of the total community population.

c. The rest of the communities, that is, about 276 entities, show a low population density (under 50,000 inhabitants, including 53 communities with fewer than 5,000 inhabitants). They account for only 33 percent of the country's population; whereas they total 40 percent of the present mass of voters.

d. These "small" communities show a high rate of registration in comparison with the population; that is, between 18.8 and 20.6 percent.

The Large Communities

The communities with a high registration rate compared with the national average number only seven. Prominent among them are those of Providencia, Punta Arenas, Santiago, Lo Espejo, and Los Angeles. Those with a medium registration rate are 25 communities, including Nunoa, Conchali, Chillan, Las Condes, Valparaiso, Vina del Mar, Pudahuel, Temuco, and Estacion Central. Those with a low registration rate number 27 communities. Again, the communities with low-income sectors show a medium and low registration rate in comparison with their populations. The most noteworthy instances are those of the communities of La Florida (9.1 percent), this being the country's third most heavily populated community, with 283,365 inhabitants, La Pintana (10.4 percent), El Bosque (10.9 percent), Recoleta (11.2 percent), San Joaquin (13.0 percent), and 22 other communities.

Key to Table 1.

1. Electoral Registration as of 31 August 1987
2. Regions
3. Registrations
4. % of total population
5. % over age 18
6. Registrations, August
7. % increase, July-August
8. Country
9. Santiago Metropolitan Region
10. Region VIII of Bío-Bío
11. Region V of Valparaiso
12. The other regions
13. Source: Prepared with records from INE [National Institute of Statistics]-CELADE [Latin American Center for Demography], and Electoral Service

CUADRO N° 1

(1)

Inscripción Electoral al 31 de Agosto de 1987

Regiones (2)	(3) Inscritos	(4) %	% Sobre Pob. Total	% Sobre 18 años	Inscritos Agosto	% Aumento Jul/Ago
País (8) (9)	2.026.417	100.0	16.2	25.6	440.993	18.1
Reg. Metropolitana, Sigo. (10)	728.382	35.9	14.8	22.9	154.864	23.9
VIII Reg. del Bío-Bío (11)	303.121	15.0	18.6	30.3	64.005	19.2
V Reg. de Valparaíso (11)	207.442	10.2	15.5	23.7	42.414	12.3
Las demás regiones (12)	787.472	38.9	16.9	27.6	179.660	14.6

FUENTE: Elaborado con antecedentes de INE-CELADE y Servicio Electoral. (13)

Key to Table 2:

1. Chile: Electoral Registration by Population Size on Community Level
2. Size (in thousands)
3. Number of communities
4. Population
5. Registered as of 31 August
6. Total population
7. Totals
8. Source: Prepared with records from INE-CELADE and Electoral Service

CUADRO N° 2

(1)

Inscripción Electoral por Tamaño de Población a Nivel Comunal

(2) Tamaño (En miles)	(3) Número de Comunas	(4) Población	(5) %	(5) Inscritos a 31 Agosto	(6) %	(6) Pob. Total
200-300	7	1.819.033	15	243.094	12	13.35
100-200	38	5.388.878	43	796.316	39	14.78
70-100	14	1.127.293	9	171.194	8	15.19
60-70	3	198.876	2	34.286	2	17.24
50-60	0	0	0	0	0	0
40-50	12	551.141	4	103.822	5	18.84
30-40	20	694.690	6	137.037	7	19.73
20-30	36	877.030	7	164.801	8	18.79
10-20	93	1.305.866	10	256.759	13	19.66
5-10	59	434.708	3	90.446	4	20.81
0-5	53	138.868	1	28.662	1	20.64
Totales (7)	335	12.536.383	100	2.026.417	100	16.16

FUENTE: Elaborado con antecedentes de INE-CELADE y Servicio Electoral. (8)

Key to Table 3:

1. Electoral Registration in Communities With Largest Population (over 70,000 inhabitants), as of 31 August 1987
2. Communities
3. Population
4. Registered
5. High percentage of registration
6. Medium percentage of registration
7. Low percentage of registration
8. Source: Prepared with records from INE-CELADE, and Electoral Service

CUADRO N° 3 (1)

Inscripción Electoral en las Comunas de Mayor Población
(Sobre 70.000 habitantes) Al 31 de Agosto de 1987.

Comunas (2)	Población (3)	Inscritos (4)	%
Porcentaje Alto de Inscripción (5)			
1 Com. Providencia	109.121	27.957	25.62
2 Com. Los Ángeles	126.966	28.616	22.54
3 Com. Punta Arenas	113.519	22.465	19.79
4 Com. Santiago	180.247	35.186	19.52
5 Com. San Miguel	73.442	13.941	18.98
6 Com. Lo Espejo	128.439	23.425	18.24
7 Com. Melipilla	71.720	12.938	18.04
Porcentaje Medio de Inscripción (6)			
1 Com. Ñuñoa	163.995	29.494	17.98
2 Com. Conchalí	158.585	27.734	17.49
3 Com. La Reina	88.071	15.061	17.10
4 Com. Calama	110.379	18.845	17.07
5 Com. Chillán	149.793	25.354	16.93
6 Com. Vitacura	82.546	13.737	16.64
7 Com. La Cisterna	92.273	15.163	16.43
8 Com. Copiapó	80.042	12.908	16.13
9 Com. Independencia	75.223	12.097	16.08
10 Com. Las Condes	196.879	31.632	16.07
11 Com. Ovalle	79.397	12.693	15.99
12 Com. P. Aguirre Cerda	132.889	20.867	15.70
13 Com. Valparaíso	279.650	43.747	15.64
14 Com. San Bernardo	171.439	26.728	15.59
15 Com. Osorno	123.265	19.213	15.59
16 Com. Peñafior	76.927	11.982	15.58
17 Com. Quilpué	104.351	16.165	15.49
18 Com. Viña del Mar	300.525	44.232	14.72
19 Com. Pudahuel	124.637	18.075	14.50
20 Com. Lo Prado	119.865	17.358	14.48
21 Com. Temuco	220.195	31.724	14.41
22 Com. La Granja	121.674	17.483	14.37
23 Com. Renca	131.053	18.752	14.31
24 Com. Estación Central	138.046	19.700	14.27
25 Com. Curicó	97.975	13.895	14.18
Porcentaje Bajo de Inscripción (7)			
1 Com. Talca	166.292	23.007	13.84
2 Com. San Antonio	73.950	10.214	13.81
3 Com. Maipul	129.196	17.819	13.79
4 Com. Valdivia	117.789	16.196	13.75
5 Com. Puerto Montt	114.176	15.695	13.75
6 Com. Rancagua	174.195	23.902	13.72
7 Com. Puente Alto	168.205	22.864	13.59
8 Com. Talcahuano	233.191	31.421	13.47
9 Com. Concepción	296.086	39.764	13.43
10 Com. Iquique	135.186	18.096	13.39
11 Com. Quinta Normal	110.660	14.707	13.29
12 Com. Cerro Navia	169.036	22.296	13.19
13 Com. Maipú	166.633	21.905	13.15
14 Com. San Joaquín	117.144	15.239	13.01
15 Com. Antofagasta	206.030	26.321	12.78
16 Com. Coronel	74.895	9.384	12.53
17 Com. Arica	172.252	21.243	12.33
18 Com. San Ramón	122.008	14.834	12.16
19 Com. Peñalolén	193.285	22.710	11.75
20 Com. La Serena	107.620	12.631	11.74
21 Com. Coquimbo	106.530	12.429	11.67
22 Com. Recoleta	174.440	19.476	11.16
23 Com. Huechuraba	73.414	8.059	10.98
24 Com. El Bosque	185.134	20.162	10.89
25 Com. Cerrillos	87.418	9.122	10.43
26 Com. La Pintana	153.955	16.060	10.43
27 Com. La Florida	283.356	25.885	9.14

FUENTE: Elaborada con antecedentes de INE-CELADE y Servicio Electoral.

(8)

ARMY DESERTER ALLEGES MILITARY INVOLVEMENT IN UP KILLING

33480013 Bogota CROMOS in Spanish 22 Sep 87 pp 20-22

[Unattributed article; first paragraph is CROMOS introduction]

[Text] Following several days of wandering through many of the country's towns, after having deserted from the Military Intelligence Service in Bucaramanga, Gonzalo Ortega appeared before the Office of the Attorney General of the Nation. In his statement, Ortega claimed to have participated in a mission led by Army Capt Luis Orlando Ardila (the Ricaurte Battalion intelligence chief), which ended in the assassination of the mayor of Sabana de Torres, on 16 August of this year. CROMOS learned of the disclosures made by Ortega, who is currently in a safe place (outside the country) under government protection.

In early August of this year, when Gonzalo Ortega received the order to a new, routine investigative mission in the bloodied "red" zone south of Santander, he never dreamed that it would change his entire life, and that from that time on, he would be caught between two fires: that of the guerrillas, and that of the Army.

According to the testimony that Ortega gave to the Attorney General's Office, at the age of 19 he enlisted in the Army's Garcia Rovira Battalion, in which he engaged in military service during 1982 and until the end of 1983.

Later, as a civilian, Ortega performed a few sporadic jobs for the Army Intelligence Service, until August 1986, when he carried information to the Army's Fifth Brigade B-2, in Bucaramanga. Thereafter, he established a permanent relationship with the military intelligence corps, particularly with Capt Luis Orlando Ardila, chief of the Ricaurte Battalion's Intelligence Section, S-2. Other civilians worked with Ortega on special missions: "As a rule, they are always reservists, because we have a military mentality, although we are not active. And so, if anything happens, nothing can be proven against the military on active duty." In return for his work, he received nearly 10,000 pesos per week in cash, directly from Captain Ardila.

Everything went "normally" until last August, when he received orders from Captain Ardila to transfer "on a commission" to the town of Sabana de Torres,

in order to "monitor it," and to investigate everything that he could about "that SOB of a mayor (of Sabana de Torres), who held meetings with FARC members. He was also to check on "that councilman from Lebrija, Alvaro Lopez, and Bruno Vasquez and Ernesto Acevedo" (UP [Patriotic Union] members in Lebrija).

The Disclosures

[Question] Of what did that job consist?

[Answer] What was of greatest concern to him was to follow the routine: what he did, and what he didn't do; to learn about them thoroughly, because many things could happen in 5 minutes.

[Question] Were the reports that you had to submit about the meetings held by the mayor of Sabana de Torres with the FARC?

[Answer] That business (the meetings with the FARC) is not clear to me. Maybe the captain mentioned it so that I would take an interest in the case; that is, that I would realize that he was a dangerous individual. But it couldn't be proven.

[Question] Was it your specific job to follow the mayor's footsteps?

[Answer] Yes, so as to kill him. Because that was the mission, and that we should not be burned, as the captain used to say. In other words, to do the job well, so that no one would realize that it was the Army. I found out that this person (the mayor) had advanced as people from the lower level advance: because of their actions, they have no need to buy votes, or to offer 10 or 15 calves during their campaigns....The people themselves were responsible for his advancement.

[Question] How long did you spend watching him?

[Answer] Nearly 12 days, during which I learned a great deal about him. There are some people who take bread from their own mouths to give it to others; he was like that: too good, and not, as they claimed, one of the FARC's main ring-leaders, disguised in a political party. I didn't know him. How was I to know whether he was a member of the Patriotic Union; and, in the Army, if one has a friend in UP, they call him an infiltrator. I arrived in Bucaramanga on the Friday before (the assassination), and told the captain: "I don't think that mission should be carried out." He asked me: "Why?" I told him: "Because that man is not what they claim...I am carrying out my mission of bringing all the information, but it doesn't seem to me that he is a member of the FARC." Starting then (the captain) considered me untrustworthy; I could notice it. I had no intention of gaining his affection again; on the contrary, I intended to report all this. I went to Jaime Castrillon, chief of the Patriotic Union in Bucaramanga, and asked him what he knew about the mayor, about Alvaro Lopez, about Ernesto Acevedo, and about Bruno Vasquez. I told him: "A certain person

has this operation." At first, he looked at me distrustfully. I told them: "I'm working on such and such, and they are going to kill the mayor of Sabana." They remained thinking, and then asked me who the persons were.

[Question] And who were they?

[Answer] Well, Captain Ardila. I gave them Captain Ardila's telephone number, the number of the Ricaurte's S-2.

[Question] Who told you that the operation was already set up?

[Answer] The captain. He asked me whether or not I was going to participate, because I had brought all the information. He told me: "Good, it's all ready. You'll get your money, I'll give it to you personally from my own funds"; although I know that it (the money) was not his.

[Question] Who was paying that?

[Answer] I think that it was coming from the superiors; it must have been something big.

[Question] How much did Captain Ardila offer you?

[Answer] Fifty thousand pesos from him; but they were paying 100 (thousand) for the operation.

[Question] To each person?

[Answer] No, to the perpetrator of the assassination. They were giving 50 (thousand) to those who helped. That is what we were told. I don't know how true it is that they would pay you all that money. It could have been true.

[Question] Did the captain issue the pass to the person who did the shooting?

[Answer] He issued that pass, because no one either in the brigade or anywhere else was more concerned than he, himself. In other words, it was his mission. They were not risking much, because, if anyone is caught, there is no problem. They don't look for a petty officer for such missions, because he would have many problems if he were caught.

[Question] Are they always contracted from outside?

[Answer] They are mainly reservists; individuals that they can trust.

[Question] Do you recall the names of those who were to participate in the mission?

[Answer] Guzman Rodriguez, Fabio, he was the one who was killed. He showed up with a different name, that of Raul Bermudez Alcantara; but that was not his name.

[Question] Did you know Guzman Rodriguez personally?

[Answer] Very slightly. He was going to carry out the operation, but I wasn't working with him. I did know him, and realized that he was working with Captain Ardila.

[Question] Had you seen him several times in the brigade?

[Answer] No, in the Ricaurte Battalion. I saw him several times, many times. I watched him enter Captain Ardila's office.

[Question] Was he working in the intelligence section?

[Answer] Yes, just as I was; they had added him to that mission.

[Question] Did others participate in the attack?

[Answer] Yes, a Centeno, Rodriguez, and Asdrubal. But I want to explain something to you. I don't know whether those names were real. At least, I didn't call myself Gonzalo Ortega. I was called "Jonas," and they told me: "You just say 'Jonas' and we'll know who it is." If I should be caught, they would claim that this was what I called myself. This is why there have been no arrests or anything.

[Question] Did you tell Captain Ardila that you were not participating?

[Answer] I told him that I was not participating, that this death was not justified.

[Question] What answer did the captain give you?

[Answer] He told me: "Well, it's strange that you should think that." I said to him: "No, Captain, in fact, I don't want to have anything on my conscience." His only answer to me was: "Now we're talking."

Ortega was later arrested and threatened with death publicly, in front of several persons, by Captain Ardila Orjuela himself. A few days later, he managed to escape; and, after several weeks of fleeing, he showed up before the Office of the Attorney General of the Nation, in Bogota.

[Box insert, p 21]

Last week, the Office of the Delegated Attorney for the Military Forces disclosed that no merits have yet been found for opening formal investigations in 10 out of 14 preliminary probes initiated against members of the Army.

The investigations have been under way based on the presumed participation by Armed Forces personnel in crimes committed against political and civic leaders. The charges had been brought by the president of the Patriotic Union, Jaime Pardo Leal.

The Attorney's Office opened a probe of the assassination of the mayor of Sabana de Torres (Santander), Alvaro Garces, after a special permit for carrying arms , issued by Capt Luis Orlando Ardila Orjuela the day before the assassination, was found in the possession of one of the hired killers. Captain Ardila denied that he knew the individual, or had signed the permit.

Subsequently, the Attorney's Office received the statement of Gonzalo Ortega, who claims to have participated in the planning of the crime, under orders from the same Captain Ardila.

As one can observe in the statements discovered by CROMOS, Ortega implicates only one member of the Armed Forces by name.

2909

PUBLIC OPINION OF BARCO, GOVERNMENT IMPROVES

Bogota EL TIEMPO in Spanish 30 Aug 87 pp 1A, 8A

[Text] A poll conducted by EL TIEMPO and the National Consulting Center revealed that 52.6 percent of Colombians have a positive impression of the administration of President Virgilio Barco.

Colombians do not appear to have a high opinion of the government-opposition system, however; 64.3 percent do not agree with it, preferring shared government. The present system is supported by 35.7 percent of those interviewed.

The poll, which covered the entire nation, was conducted in 21 large, small, and medium cities. The sample comprised 1,350 people, and was designed to obtain a margin of error of 3 percent.

The individuals who were surveyed, belonging to all political sectors, social strata, and age groups, gave the government an average score of 3.1.

The research covered five subjects: approval or disapproval of the government, the president's image, the government-opposition system, the reform programs, and the government's handling of major problems.

The individuals were selected for interviews by a stratified, random sampling system.

Grading the Government

The individuals' assessment of the government revealed a polarization by political party.

While 71 percent of Liberals have a favorable opinion, only 27.9 percent of Conservatives approve of him. Among the New Liberals, there is a 48.3 percent acceptance rate, while on the left the figure is 31.4 percent.

The average score (3.1) is broken down as follows: Liberal Party, 3.5; Conservative Party, 2.6; New Liberal Party, 2.9; on the left, 2.6; and no party affiliation, 2.9.

In November 1985, President Betancur was given the following grades: Conservatives, 4.2; Liberals, 1.9; New Liberals, 2.9; and no party affiliation, 2.7. It should be noted, however, that the Betancur administration was coming to the end of its term, and the Barco administration is barely a year old.

The most favorable opinions of the president are in Bogota, the most unfavorable in the Pacific region (Valle, Cauca, and Narino).

President's Qualities

In the opinion of Colombians, a president should have five important characteristics: honesty, an interest in people, leadership ability, intelligence, and responsibility.

The majority of the population believes that the president has these qualities.

He is considered honest by 79.3 percent, 61.0 percent feel he has an interest in people, 65.3 percent think he has leadership ability, 80.0 percent find him intelligent, and 78.8 percent regard him as responsible.

The comparison of the president's image and that of his administration leads to the conclusion that Colombians understand how difficult it is to lead them.

As in the case of the government, there is a polarization of opinions between Liberals and Conservatives; the former are more positive than the latter.

For example, the figures for honesty were 87.2 percent among Liberals and 61.9 percent among Conservatives.

Interest in people: 77.4 percent and 32.9 percent; leadership ability: 79.6 and 48.9 percent; intelligence: 89.6 and 63.0 percent; and responsibility: 86.8 and 59.3 percent.

Government System

One of the most important changes in this administration is the implementation of the government-opposition system, which replaced that of shared responsibility.

Although the administration is now a year old, Colombians still prefer the shared responsibility system.

A total of 35.7 percent support the government-opposition system, while 64.3 percent feel shared government is better.

The majority of Liberals (54.5 percent) think government by two parties is better. Thus, there is no full acceptance of the new system.

One of the conclusions reached by the poll is that the population must be educated as to the advantages of the new system.

Reforms

The government has promised to seek approval of three reform programs: agrarian, rural, and labor.

Public opinion supports all three almost unanimously.

Agrarian reform is considered necessary by 92.3 percent, urban reform by 90.0 percent, and labor reform by 91.7 percent.

The reform of the Concordat to allow Catholics to divorce is also supported by a majority, albeit a smaller one: 56 percent.

The most enthusiastic are the New Liberals and the leftists. Obviously, Conservatives reject it, 59.3 to 40.7 percent.

Problems

One area in which Colombians have traditionally judged the government harshly is that of problem-solving.

The problems are a lack of security, unemployment, poverty, the high cost of living, guerrilla warfare, drug trafficking, administrative inefficiency, and public services.

Those interviewed felt the government has made positive gains with regard to security (39.0 percent). The corresponding figure for unemployment is 30.3 percent, poverty 22.2 percent, guerrilla warfare 30.1 percent, drug trafficking 53.8 percent, administrative inefficiency 32.3 percent, and public services 38.4 percent.

In December 1985, only 3 percent of those polled were satisfied with Betancur's efforts to combat unemployment, 14 percent with what he had done to help the poor, 34 percent with his peace efforts, and 23 percent with his program of housing without a down payment.

Table 1. President's Image

Interest in people	61 %
Leadership ability	65.3%
Responsibility	78.8%
Honesty	79.3%
Intelligence	80 %

Table 2. Government System

	Preference	
	Government-Opposition	Shared Government
Total population	35.7%	64.3%
New Liberals	28 %	72 %
Conservatives	29 %	71 %
No party affiliation	29.3%	70.7%
Leftist-communists	29.3%	70.7%
Liberals	45.5%	54.5%

Table 3. Positive Opinions of Barco Administration

Conservatives	27.9%
Leftist-communists	31.4%
No party affiliation	43.7%
New Liberals	48.5%
Liberals	71.0%

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CSO: 3348/3

SURVEY ASSESSES PUBLIC PERCEPTION OF VIOLENCE

Bogota SEMANA in Spanish 3 Nov 87 pp 28-33

[Unattributed article: "Why Are We So Violent?"]

[Text] Exclusive SEMANA survey analyzes what Colombians think about the violence that they are experiencing.

1. Is there a lot or a little violence in modern society?

A lot	98.3%
A little	1.4%
No answer	0.2%

2. Is there more violence today than 30 years ago?

More	85.4%
Same	12.0%
Less	2.6%

3. What is the principal cause of violent disputes between 2 people?

Drugs	54.2%
Politics	48.4%
Money	42.4%
Alcohol	37.2%
Unemployment	3.4%
Lack of money	2.2%
Religion	1.7%
Social factors	1.0%
Jealousy	0.7%
Family problems	0.5%

4. Through what means does violence appear today?

Guerrilla	67.6%
Kidnapping & extorsion	41.7%
Robbery	38.8%
Paramilitary groups	36.0%
Street crime	25.2%
Rape	23.7%
Social differences	1.7%
Drugs	1.4%
Unemployment	1.4%
Money	0.7%
Terrorism	0.2%

5. Which recent violent events do you remember?

Death of Pardo Leal	49.9%
Takeover of palace [of justice]	16.8%
Caqueta ambush	7.0%
Death of Lara Bonilla	6.5%
Death of Hector Abad G.	4.3%
Kidnapping of Arenas Betancurt	3.8%
Otanche ambush	3.4%
Kidnapping of Camila Michelson	2.9%
Death of Guillermo Cano	2.2%
Diners attack	1.7%
Pozzeto maniac	0.5%
Attack of Defense Ministry	0.5%

6. How do you view the way violent events are handled by: television, radio, press?

TELEVISION:	Insufficient	29.7%
	Excessive	25.9%
	Correct	14.1%
RADIO:	Correct	48.2%
	Excessive	26.1%
	Insufficient	25.4%
PRESS:	Correct	48.7%
	Excessive	31.7%
	Insufficient	19.7%

7. Do you believe that violence on television influences the current level of violence: a lot, not much, or not at all?

A lot	72.9%
Not much	16.1%
Not at all	10.1%

8. What type of aggression have you personally experienced during the past 5 years?

Hold-ups	67.3%
Physical attack	8.2%
Armed aggression	4.1%
Threats	4.1%
Burglary	2.0%
Drug-related attack	2.0%
Attempted rape	1.1%

9. Which of the following do you believe usually end in an argument or in a more violent way?

--Being supporters of different soccer teams:

Argument	61.4%
Violence	38.6%

--Opposing political views:

Argument	52.3%
Violence	47.7%

--Marital jealousy:

Argument	42.7%
Violence	57.3%

--Transportation problems:

Argument	46.8%
Violence	53.2%

--Money problems:

Argument	35.7%
Violence	64.3%

10. Do you agree or disagree with the following:

--Death penalty for terrorist acts:

Agree	54.4%
Disagree	40.5%

--Violence only brings about more violence:

Agree	88.5%
Disagree	10.3%

--War over sovereignty issues is justified:

Agree	27.6%
Disagree	62.6%

--No one should take justice into his own hands:

Agree	52.8%
Disagree	45.8%

--The State should resort to repression in order to maintain order:

Agree	68.1%
Disagree	26.9%

--Pacifists will never win anything:

Agree	40.0%
Disagree	51.6%

--If necessary, one should resort to violence in order to defend a just cause:

Agree	37.4%
Disagree	57.3%

--I would be incapable of beating another person:

Agree	46.5%
Disagree	42.9%

--The country's problems could be resolved with a more hard-line approach:

Agree	57.1%
Disagree	35.7%

--Even if I'm right, I prefer not to argue:

Agree	54.1%
Disagree	41.2%

[Survey information:

Company: Mercadeo y Comunicacion Ltda

Dates: 29-30 October

Population: 417 persons over the age of 18

Cities: Bogota, Cali, Medellin

Methodology: Telephone survey]

/8309

CSO: 33480027

MANLEY REJECTS TALKS WITH GOVERNMENT ON INTEGRITY ISSUE

32980016a Kingston THE DAILY GLEANER in English 8 Sep 87 p 1

[Text]

A REACTION to Prime Minister Edward Seaga's announcement of the naming of an Integrity Commission to recommend guidelines for public officials in terms of their private business activities, has come from PNP leader, Mr. Michael Manley. The PNP leader said he would not take part in the discussions with the Government on the issue which the Prime Minister had announced.

Prime Minister Seaga's announcement was made last week at the height of a public controversy over his ownership of Carinosa Gardens in St. Ann.

Following is Mr. Manley's statement:

"The People's National Party will not take part in the discussions with the Government, which Prime Minister Seaga has announced will take place after the Committee he has appointed to prepare guidelines for the involvement of public officials in private business has submitted its report.

"This statement was made by the President of the People's National Party, Mr. Michael Manley, when he addressed the 1987 Graduation Ceremony for 179 students from the Vernon Arnett School of Political Education, at the Manchester High School yesterday (Sunday, September 6, 1987).

"Mr. Manley pointed out that the issue began with questions of prin-

ciple and propriety raised by the Party's Chairman, Mr. P.J. Patterson, Q.C., regarding whether and in what circumstances ministers of Government should initiate and become involved in private business during their term of office.

"This, he said, was followed by a serious national debate during which the Government decided on terms of reference and appointed a committee to examine the issue and submit proposals relating to the matter.

"Mr. Manley said any guidelines which were established would apply to any political party that would form the next Government and in both the terms of reference and the members of the committee, the PNP, as the present alternative government and major political organization in the country should have been consulted.

"Mr. Manley also said that while the PNP had every respect for that the committee members, the Party had noted with astonishment that one of the members had already written that he fully approves of the Prime Minister's involvement in Carinosa.

"We find it amazing," he said, "that he will therefore be a Judge in the issue when he has already tried the case in his mind and reached a verdict of not guilty".

/13046

COMMISSION OF INQUIRY FAULTS JULY 1986 ELECTIONS

32980016b Kingston THE DAILY GLEANER in English 9 Sep 87 p 1

[Text]

LAST year's Local Government elections "were neither fair nor free from fear in many polling divisions..."

That is the finding of the Commission of Enquiry into Electoral Malpractices in the Local Government Elections of July 29, 1986, which had its report tabled as Ministry Paper No.44 in the House of Representatives yesterday.

Sir Herbert Duffus, Mr. Ewart Forrest and Mr. Donald Rainford were appointed Members of the Commission on August 12, 1986 to enquire into "allegations of misconduct, irregularities, malpractices and weaknesses" among other things and to make recommendations.

The Report points the finger particularly at divisions in Kingston, St. Andrew and St. Catherine, "where there was evidence of considerable violence and intimidation of election officers and of electors."

At section 10 of the findings the Report observes that: "roving bands of hooligans purporting to be supporters or activists of the two major political parties and armed with guns, knives, sticks and other weapons, moved freely about in parts of Kingston and St. Andrew and parts of St. Catherine.

"The Police were heavily outnumbered and unable to prevent them entering polling stations where they terrified the election officers and in some cases assaulted them and inflicted injuries.

"They forcibly seized ballots and marked them for their chosen candidates, forcing the Presiding Officers to sign the counterfoils when their names did not appear on the

official list of electors.

"In some cases, they removed the screens, declaring that only open voting would take place, the apparent intention being to intimidate lawful electors. In some instances when bona fide electors attended at the polling station there were no ballot papers available to them thus depriving them of their vote, as all ballots had been marked by the invaders," the Report said.

It added that all three radio channels used by the Police in the Corporate Area were mysteriously jammed from approximately 8.30 a.m. on election day.

"The jamming was deliberately done by evil-minded persons who obviously wished to immobilise and frustrate the Police. Evidence strongly suggested a time correlation between the hours of jamming and the invasion of the polling stations. Although the jamming was discovered at about 8.30 a.m. on election day, no action was taken to immediately increase the police-army patrols," the Report said.

In its main recommendations, the Commission suggested the clustering of polling stations; greater use of public buildings; better police security; more effective use of the army, reduction of the numbers of parish special constables; employment of a better type of election officer — greater use of civil servants and teachers; establishment of a permanent pool of election officers; improved pay and fees for election officers; provision of an adequate communication system for election officers and examination of the system of representation of the people.

MANLEY COMMENTS ON REGIONAL ECONOMIC, OTHER ISSUES

32980016d Kingston THE DAILY GLEANER in English 29 Aug 87 p 3

[Text]

**PORT OF SPAIN, Trinidad,
August 28, Cana**

FORMER Jamaican Prime Minister Michael Manley today recommended the establishment of a Caribbean stock exchange amongst other suggestions aimed at regional economic integration.

Manley, in Port of Spain to launch his new book, dismissed the idea of political federation before economic integration stating that the region had unsuccessfully tried this procedure in the past.

"Let me hasten to get out of the way any possible conclusion. I myself was notoriously a federalist when that was an issue many years ago. That is not an issue now. Political federation obviously is not going to be a real proposition I don't think in my lifetime," Manley told a news conference at the end of a two-day visit.

Duties

Manley suggested, in the short term, removal of duties on intra-regional trade, quick work on a common external tariff, revival of the multilateral clearing facility, joint Caribbean negotiation with the United States on its Caribbean Basin Initiative (CBI), and a common regional strategy on world debt.

Describing the region's private sector as having a key role to play in real economic integration, Manley recommended a Caribbean stock exchange to mobilise resources on a regional rather than an insular basis, accompanied by an intra-regional double taxation system and some form of common citizenship to activate such investment between countries.

He also suggested the revival of joint planning projects within the region stating that such proposals had fallen by the wayside.

Manley, who served as Jamaica's Prime Minister from 1972 to 1980 and is leader of the opposition People's National Party (PNP), flies to Guyana tomorrow morning for a meeting with President Desmond Hoyte.

Describing himself as an "unapologetic regionalist", Manley said he had expounded his ideas during meetings this week with Trinidad and Tobago Prime Minister A.N.R. Robinson, opposition leader Patrick Manning, and other political and trade union leaders.

Trapped

"Sooner or later, I believe the Caribbean is going to get trapped in the crisis of the mini state. I think we're virtually there now and the quicker the Caribbean can develop the political comprehension and the political capacity to see the advantages of the larger situation ... The quicker you do that, the quicker we'll get onto a march of progress, prosperity in some context of national sovereignty," Manley said.

Asked about possible political federation following economic integration, Manley said: "I would prefer you to address that to my grandson."

He said the issues facing the area were twofold: those of seeking external help for the future and of setting the region's own "self-reliance agenda".

Economic co-operation was only one solution to Jamaica's own problems, Manley said, outlining other means such as modification of Jamaica's free market model.

"I think that Jamaica has, perhaps, unnecessarily, jettisoned the interest of the poor in the way it has operated the economic model and I suspect that's what will probably determine the outcome of the next election," he said.

His book — "Up the Down Escalator" — attempts to deal with development problems in the Third World using the example of Jamaica's bauxite industry and other comparisons as hoped-for vehicles for development and then turns to future solutions following their failure in this role.

/13046

MILITARY, POLICE JOIN IN CAMPAIGN AGAINST CRIME

32980016c Kingston THE DAILY GLEANER in English 5 Sep 87 p 1

[Text]

A JOINT Military/Police operation, aimed at bringing under control criminal activity in those areas where new flare-ups of crime have become a major cause of concern, has been mounted over the past four days.

In the latest action, special units of the Police and Military have been posted since Thursday in the areas embraced by Brandon Hill, Cavaliers, Golden Spring, Stony Hill and Constant Spring in St. Andrew.

In some instances as the security patrols were searching and checking on vehicles approaching checkpoints helicopters flew low in co-ordination with the foot patrols.

Sources in the Ministry of National Security said yesterday that it is planned to move the operation and spread it out to embrace all those areas where criminal activity has been on the rise, in order to control and eventually eradicate crime in these areas.

Police sources say that up to June this year, criminal activity had been "showing signs of slowing down and even diminishing." However, since July, there had been an upsurge of crime and many persons had been held up and robbed in numerous incidents.

This upsurge had become a cause of concern not only to the Security Forces, but to the Government, and the Minister of National Security, Errol Anderson took action last week to extend the special provisions under the Suppression of

Crime Act for another thirty days.

In recent incidents, there have been a number of daring hold-ups and shootings. It is understood that a number of the recent killings are drug-related. A top-ranking member of the Security Forces told the Gleaner last night that within recent weeks, Internecine warfare had developed between a number of "drug barons", as the Security Forces tightened their patrols and detection of drug-dealing activity.

"Some of these barons feel that others of their colleagues have been squealing on them, and the reaction has been vicious," a source said. Another factor believed to have contributed to the crime upsurge has been the deportation of a number of Jamaicans involved in drug-dealing and crime in such centres as New York City and Florida.

"It appears, the U.S. Government has been quietly deporting a number of these hardened criminals from their shores and we are beginning to feel the effects of their presence," the source said.

Up to last night, the patrols were continuing with members of the Military posted at strategic points along the main thoroughfares in the affected areas.

/13046

COAHUILA BISHOPS EXPRESS CONCERNS, MAKE RECOMMENDATIONS

32480008 Mexico City DOCUMENTACION E INFORMACION CATOLICA in Spanish 3 Sep 87
pp 659-661

[**"Pastoral Orientation of the Bishops of Coahuila on Catholics' Political Options," signed 6 Aug 87**]

[Text] I. Introduction

1. We the bishops of the state of Coahuila address the Catholic faithful of our diocese, in fulfillment of the obligation to guide them regarding their political commitment in the current electoral process that is under way on the state and municipal levels.
2. At the outset, we would do well to ask a question that is on the minds of many: Can the Catholic Church disengage itself from situations relating to political life, and have nothing to say?
3. The answer is clear: With Vatican Council II and the Puebla '79 document, we reply: "It is just for the Church to be able to voice its moral judgment, even on matters associated with the political area, when fundamental human rights so demand" ("Gaudium et Spes," No 76); "the Church's presence in politics stems from the most intimate realm of Christian faith: the lordship of Christ, which extends to all human life on earth" ("Puebla, '79," No 516).
4. On the other hand, we give a reminder that the Church in Mexico, through the voice of the bishops, has declared that it is not seeking any privilege or power upon proclaiming its word on political matters; it merely wishes to remain faithful to its mission based on the example of the Lord Jesus.
5. We make note of the fact that our pastoral guidance is intended to enlighten and invigorate the Christian conscience of the faithful, whose political options we must respect.

II. Reasons for Concern

6. In dealing with this delicate issue, we would like to point out some situations that are of concern to us.

- The worsening of the economic crisis, which has had serious repercussions on political life, and is manifested in increased unemployment, anxiety over subsistence, begging, and crime.
- The atmosphere of distrust among persons and toward institutions; and individual interest, which captivates consciences and precludes freedom of decision based on more deepseated convictions.
- Abstention, apathy, and apolitical positions in electoral processes.
- Excessive propaganda and squandering of funds during an electoral period, preventing the citizens' calm reflection, and prompting them to vote based on the impulse of the moment, rather than the strength of conviction.
- The pressures of all kinds, which preclude or remove freedom from the vote: "threats or promises; conditioned services which, by their nature, should be rendered as normal acts of government" ("Christian Consistency in Politics, Pastoral Exhortation of the Bishops of the Northern Region," 1986, No 3). [For the text of "Christian Consistency in Politics, Pastoral Exhortation of the Bishops of the Northern Region," see JPRS REPORTS: LATIN AMERICA of 8 July 1986 (JPRS-LAM-86-058), pp 83-92.]
- The frequent lack of sincerity and excessive rhetoric in political discourse: promises not always sufficiently guaranteed; half-truths; mutual accusations which blur the force of reasons; confusion and exaggerated emotion, which hamper confrontation and dialogue on alternative plans in the voters' civic consciousness.
- Persistent and generalized suspicion of electoral fraud, which has become the downfall of democracy and has produced frustration and greater abstention.

III. Permanent, Progressive Teaching of the Church

7. The Church has often discussed this issue of vital importance to every Christian: faith and politics. It is a constant, current topic in its Magisterium.

8. On this occasion, we shall only attempt to recall a few fundamental principles, in order to have clearcut ideas and act in consistency with faith:

- Politics, in a broad sense, is based upon the rights and responsibilities of every person; it promotes, develops, reinforces, and defends the good of society. (Cf. "Pastoral Instruction on the Political Dimension of Faith," of the Archbishop of Monterrey, 1987, No 12). For reporting on the "Pastoral Instruction on the Political Dimension of Faith," see JPRS REPORT: LATIN AMERICA of 11 May 1987 (JPRS-LAM-87-037), pp 49-50.]
- The general welfare of the society is achieved with respect for and defense of human rights with the real participation of all in all the assets of the

society; with the real opportunity for all to participate in the making of decisions affecting social life. (Cf. op. cit. No 13).

- Democracy is the citizens' free, proper participation in the service of the society; it is an alternative to totalitarian regimes; it is free expression in elections; it is just distribution of power in accordance with the citizens' desire; it is free discussion of the real good of the people; it is fundamental equality of all persons; it is joint responsibility and solidarity among all citizens; it is freedom of speech and circulation of the truth (cf. John Paul II, "European Parliamentarian Discourse," 1986; and op. cit. No 17); it covers all aspects of social life in a relevant manner, the political and economic; it is legitimate autonomy, respect for the government of a nation, and of intermediate social groups or agencies (cf. "Workshop on Catholics and Democracy," Chihuahua, 1987, Nos 39-43). [For text of "Workshop on Catholics and Democracy," see JPRS REPORT: LATIN AMERICA of 13 April 1987 (JPRS-LAM-87-028).]

- The lay faithful, by vocation, have the moral obligation to intervene in political action and in the organization of social life; it is incumbent on them to act in the area of party politics; the lay faithful person "who decides on a party should always give it discerning membership, wherein he accepts all the good and rejects all the bad that it has, and should always be ready to exchange it for something better, when he finds it" ("Christian Consistency in Politics," No 1).

- The attitude of indifference and distrust "toward politics has no reason to exist among Christians. At the same time, they must react against any manifestation of idolatry or cynicism regarding power" ("Instrumentum Laboris Synodus Episcoporum," 1987, No 69).

- Elections are indispensable in a democracy; "they are a challenge for everyone for eradicating from our social life the evils of corruption, concealment of the truth, individual interest, and all types of violence, or pressures and threats; they are, at the same time, a commitment, so that the individual guarantees and actual results of the votes will be respected; unity, reconciliation, and justice will be fostered; and civic truth and freedom will be demanded as part of a legitimate pluralism" ("Pastoral Guidance of the Mexican Episcopate With Regard to the Elections," 1985, No III). [For text of "Pastoral Guidance of the Mexican Episcopate With Regard to the Elections," see JPRS REPORT: LATIN AMERICA REPORT of 20 June 1985 (JPRS-LAM-85-055), pp 61-63.]

- The vote must be exercised with responsible freedom. "Some criteria must be borne in mind, such as: the ideology that each party upholds; the program that it is proposed to implement; the ability and moral quality of its candidates; reasonable confidence that those who come to power will respect fundamental human rights and will seek the authentic good of the country" (op. cit., No 11).

IV. Taking Democracy Seriously

9. The aforementioned concerns and principles enunciated should promote a change of personal attitude that will effectively and constantly contribute to the transformation of our nation's social structures.

10. It seems urgently necessary to take democracy seriously and to make it a daily practice and a permanent task to perfect it in our society. We shall achieve this when we acquire new attitudes. Hence, it is necessary for us to strive to have:

- A clearcut awareness of the obligation to participate in all areas of social life; solidarity for backing any action that will benefit the community; interest in all forms of independent social association and organization that truly seek the welfare of all in the society.
- Willingness and courage for undertaking a candid, sincere dialogue with the candidates and rulers, to demand of them the fulfillment of their promises, and to discover the true roots of the problems that the society is suffering, with the commitment to provide suitable solutions.
- Sensitivity toward abuses and violations of the dignity of the human person; rejection of all lying or deception in the realm of respect for every citizen's vote.
- Demand for a greater guarantee of individual rights, primarily through a more responsible and honest exercise in the prosecution of justice and the performance of the judicial and police agencies in the state and the municipalities.

V. Acting With Responsibility

11. This pastoral guidance would fall into a void if the lay faithful do not put it into practice; if they do not decide to act with responsibility despite the risks that their commitment in the world of politics entails. For this reason, we recommend the following concrete action more related to the electoral process:

- To critically analyse the thinking and program of the parties and candidates, as well as the moral quality of the latter.
- To vote based on conscience and with complete freedom.
- To defend the truth of the vote, always using peaceful means.
- To act with maturity and respect toward the different political options of others, avoiding interference in the communion of faith, worship, and fraternal coexistence that should typify our Christian communities.

VI. Conclusion

12. In submitting this pastoral guidance, we do so with the sincere desire to offer the Church's specific contribution in a society that is so varied and in an area so important in social life. We trust that it will be received thusly by those who do not share our faith or our way of thinking. We are convinced that a genuine democratic progress in the practice of politics will help to create a better climate for progress, justice, and solidarity in our state and municipalities, and will be an effective aid in surmounting the social crises that we are undergoing.

13. We appeal especially to the youth and to women to participate, with their strength and spiritual richness in improving our society thoroughly, and in hastening the arrival of the new Mexico that we all wish to be.

14. We pray to God, our Father, that the state and municipal elections this year will be held in an atmosphere of civic responsibility, respect for the truth, and community peace. We put this intention in the hands of Blessed Mary of Guadalupe, and we ask her maternal intercession on behalf of all, especially the poorest and most neglected in the current situation that we are experiencing.

6 August 1987.

Francisco Villalobos Padilla, Bishop of Saltillo

Fernando Romo Gutierrez, Bishop of Torreon

Luis Morales Reyes, Coadjutor Bishop of Torreon.

2909

POLITICAL, ECONOMIC, SOCIAL DEVELOPMENTS

[Editorial Report] The following items have been abstracted from reports published in various issues of the open press in Nicaragua and elsewhere, as indicated. No. 3 of a series.

LEON-CORINTO RAILROAD PROJECT--The cost of refurbishing the Leon-Corinto rail lines will be \$1 million, according to Sergio Aguirre, director of Nicaraguan Railroads. Work on the lines began June 1987 and is projected for completion in 1988. Once complete, the railroad will have a carrying capacity of 480,000 tons per year, or 40 percent [sic] of the port of Corinto's 1.5 million tons of cargo per year. This will relieve the port's crowded condition, Aguirre stated. According to engineer Denis Blanco Rodriguez, project supervisor, the work has been carried out entirely by convict labor, "paid the same salary as a worker of this type." [EL NUEVO DIARIO 10 Oct 87 p 2]

SWEDEN TO INCREASE AID FOR UNAG--SIDA [Swedish International Development Agency] has proposed a 3-year, 90-million-kronor aid package for UNAG [National Union of Farmers and Cattlemen]. This marks an increase from the 35 million kronor UNAG received over the last 3 years. Funds are to be used to purchase tools, construction materials, and other items in short supply in Nicaragua. [DAGENS NYHETER 18 Oct 87 p 10]

MORE LAND CONFISCATIONS SEEN--Alonso Porros, director of agrarian reform, told UNAG's Fifth National Assembly that 30,000 Nicaraguan peasants needed land, necessitating further confiscations. Porros acknowledged that many amnestied "contras" are peasants who should be given "a bit of land to sow." [EL NUEVO DIARIO 12 Oct 87 p 16]

UNAG LEADER QUESTIONS RICE PRICES--Manuel Mendoza, president of UNAG's Municipal Council, complained that rice sold to ENABAS [National Basic Grains Enterprise] at 120,000 cordobas per quintal is sold to consumers at 300,000 cordobas per quintal. Similarly, beans sold to ENABAS at 1,200 cordobas per quintal are retailed at 2,500-3,000 cordobas per quintal. While discussing manpower and production, Mendoza stated that

the Municipal Council coordinates with the Draft Board to exempt some members of farm cooperatives from military service. [BARRICADA 11 Oct 87 p 4]

BANANA EXPORT STATISTICS--This year 5 million crates of bananas have been exported to 13 European countries, for a net profit of \$18 million. [EL NUEVO DIARIO 12 Oct 87 p 5]

STATISTICS ON DEMOBILIZED PERSONS--According to German Martinez Robles, Sandinist Youth militant, of 4,000 persons recently demobilized in Region 4, 600 have been integrated in the reserves, 900 work in "factories", 800 are pursuing "technical-professional" studies, and 1,600 have been integrated "in the various tasks of the revolution." [BARRICADA 9 Oct 87 pp 1,2]

AN-26 AIRCRAFT FOR BOLIVIA--The Nicaraguan Government will give Bolivia an Antonov 26 aircraft, to replace the Bolivian Air Force aircraft impounded in 1981 when mechanical failure forced it to land in Nicaragua. The impounded aircraft was used in combat missions by the Sandinist Army and crashed while transporting troops to the Honduran border. [LA PRENSA 2 Oct 87 p 8]

BRIDGE DESTROYED BY CONTRAS--The Paso Real bridge of Yaosca, 11 km southeast of Waswala on the Rancho Grande-Waswala road, was destroyed 10 October by counterrevolutionaries. [BARRICADA 13 Oct 87 p 2]

32480025

FURTHER REPORTAGE ON POLITICAL, ECONOMIC, SOCIAL DEVELOPMENTS

32480030 [Editorial Report] The following items have been abstracted from reports published in various issues of the Spanish-language press in Nicaragua, as indicated. This editorial report, No 5 in a series, deals entirely with economic issues.

SALE OF RICE TO BLACK MARKET DENOUNCED--Sale of rice by private producers to the parallel and illegal markets was blamed for a reduction in the rice ration to 1 lb per month per person. The 3-lb allotment between January - August 1987 was made possible by rice donations of 543,000 quintals from the USSR, 32,000 quintals from Austria, and 18,000 quintals from Spain. Amounts of rice turned over to the state by private producers in 1987: 84,000 quintals in February, 75,000 quintals in March, 97,000 quintals in April, but only 7,000 quintals in April. The decline was blamed on the "capitalist values of personal enrichment" of some producers. [BARRICADA 20 Oct 87 pp 1,3]

986 TRACTORS FROM SOCIALIST BLOC--For 1987, 986 tractors have been received from socialist countries, out of a projected 1,086. The remaining 100 tractors are expected in December. According to Gerardo Lopez, director of AGROMAC, R.A., [National Enterprise for Farm Machinery, Agrarian Reform], 80 percent of existing farm machinery in Nicaragua originated in the socialist bloc, including a total of 4,280 tractors from the USSR. At present 25 Nicaraguan "technicians" are in the USSR training in the use of high-power tractors. [BARRICADA 21 Oct 87 p 2]

AFRICAN PALM PROJECT PROFITS--The African Palm project is expected to produce 6,230 tons of food oil or 22 percent of national consumption, for savings of \$4 million. Oswaldo Cruz, the project's executive director, asserted that the project's infrastructure is 86 percent completed, and "general construction" 94 percent completed. At present the project employs 402 persons. By January 1988, 1500 persons will be employed. Start of production is scheduled for October 1988. [BARRICADA 14 Oct 87 p 2]

\$8 MILLION SPANISH CREDIT--Joaquin Cuadra, president of Nicaragua's Central Bank, announced the acceptance of an \$8 million credit line from the Spanish Government. The amount is to be repaid over 20 years at 2.3 percent interest,

with a 5-year grace period before start of payments. Minister of Foreign Trade Alejandro Martinez Cuenca termed the agreement "a new stage" in Nicaragua's relations with Spain, following the Guatemala Peace Accord. [BARRICADA 21 Oct 87 p 5]

PRODUCTION OF LEATHER GOODS IMPERILED--Supply of leather for shoe and furniture production in Chinandega and Leon may be exhausted before the end of 1987, affirmed Javier Martinez, Region 2 director for the Ministry of Industry. The black market price of 1 kg of leather, presently 8,000 cordobas, is expected to reach 30,000 cordobas by the end of the year. [LA PRENSA 10 Oct 87 pp 1,8]

FUEL IMPURITIES FOUND--The main cause of the "alarming destruction" of automotive vehicles is the presence of impurities in the fuel used, according to research by students at the Francisco Perez Torres Technical School. Dust, water, and pollutants are among the impurities found. [LA PRENSA 13 Oct 87 pp 1,8]

REPORTS ON RESULTS OF LOCAL GOVERNMENT ELECTIONS

NAR Successes

32980018 Port-of-Spain DAILY EXPRESS in English 16 Sep 87 p 1

[Article by Andy Johnson]

[Text] An unofficial tally by the EXPRESS revealed a more than 40 per cent voter turnout in Monday's local government election. But researchers at the Elections and Boundaries Commission were still at work late last night trying to finalise the official tabulations.

According to the EXPRESS tally, more than 347,000 persons voted in the election Monday, out of a list of electors totalling 856,545. In the process, the ruling National Alliance for Reconstruction secured 80 seats out of 125 contested.

The opposition People's National Movement got the remaining 45, with 14 candidates of the People's Popular Movement and several independents failing to win a seat.

The EXPRESS tally showed that more than 206,000 persons voted for the NAR across the country. This represents almost 60 per cent of the votes cast while the PNM polled upwards of 137,000, or almost 40 per cent of votes cast.

Of the total votes cast, the PPM and the independent candidates together pulled close to 4,000 votes in the election, said to have been the most keenly contested local government election in the country's history.

Late yesterday afternoon the EBC head offices in the Government-owned Salvatori Building, Port of Spain, was still the scene of frenzied activity as staff tabulated those official figures available and made efforts to obtain others. In the 1983 local government election, 32 per cent of the electorate went to the polls.

At 5 p.m. yesterday, deputy Chief Elections Officer Joyce Lucas said she was awaiting the arrival of voter sheets from districts in the Borough of Point Fortin among others, which were being brought to Port of Spain.

But in a snap review of the available data on votes cast and those from his opinion survey on the election, political scientist and pollster, Dr Selwyn

Ryan, said there was a seven per cent swing nationwide back to the PNM.
(* See Page 2.)

The ruling party shut out the PNM in three of the seven county councils and the PNM did likewise in the Borough of Point Fortin, one of the four municipalities contested. The PNM took only one county council -- St George West with a 13-7 split of the seats, and won in the Port of Spain City Council 8-4. The NAR took the Arima and San Fernando Borough Councils formerly PNM territory.

Swing to PNM

Port-of-Spain DAILY EXPRESS in English 16 Sep 87 p 2

[Text]

THE RULING National Alliance for Reconstruction (NAR) won Monday's Local Government Election with 80 seats to 45 for the People's National Movement (PNM). But there was an 11 per cent swing to the People's National Movement in the East-West Corridor. And, nationally, there was a seven per cent swing to the same party.

Monday's results were in keeping with a poll, commissioned by the Trinidad Express Newspapers Ltd, and conducted by the St Augustine Research Associates (SARA), which accurately called both the 1986 general election and the Tobago House of Assembly election.

A second SARA poll, conducted a week before the election in PNM heartland, indicated a seven per cent national swing which was confirmed when results were tallied. The PNM took 51 per cent of the votes in the East-West Corridor and the NAR 49 per cent.

The national prediction was

exact — a 60-40 split in favour of the NAR. SARA predicted the NAR would hold on to six counties and wrest away from the PNM San Fernando and Arima. The first SARA poll indicated Port of Spain, Point Fortin and St George West would be close. SARA's Dr Selwyn Ryan said the percentages were indeed close, although the seats were not; in St George West, the PNM took 55 per cent of the vote and the NAR 45 per cent.

The day before the election, Ryan wrote, "The national split would thus be in the order of 60 per cent NAR and 40 per cent PNM, an outcome which would enable it to retain control of the counties it now controls, win St George West, Arima, San Fernando and improve its performance in Point Fortin and Port of Spain." The SARA poll said a low voter turnout could work in PNM's favour and, said Ryan, that may well have occurred. Some 40 per cent of the electorate voted.

Fate of Independents

Port-of-Spain DAILY EXPRESS in English 16 Sep 87 p 2

[Text]

INDEPENDENT candidates on Monday failed to win any of the 125 seats contested in the Local Government Election. However, final results from the Elections and Boundaries Commission indicate that the 13 candidates did quite well.

Highest number of votes polled by independent candidates went to Rajkumar Ramkissoon — 1,047 in the Morne Diablo/Penal district. Votes for the other independent candidates were as follows: Cunupia/Jerningham, Krishna Ramkissoon-929; Calcutta/McBean, Mahindra Ramlogan-

756; Lopinot/Arouca/Pinco, Raj Ounjkar Maharaj-698; Montrose/Fishing Pond, Waqqab Emandee-395; Coalmine/Tamana, Zephyrine Bisessarsingh-278; Freeport/Exchange, Shakeer Mohammed-302; Morne Coco/Alyce Glen, Rev. Valentine Garcia-8; Covigne/Rich Plain, Alston Joseph-23; Point-a-Pierre/Gasparillo, Leo Thompson-311; Ben Lomond/Ste Madeline, Baldath Koorasingh-326; Apex/Fyzabad, Carlyle Bhola-66.

Up to late yesterday, the EBC had no figure for the independent candidate for Montrose/Edinburgh, Herman Bolan.

Robinson's Reaction

Port-of-Spain DAILY EXPRESS in English 16 Sep 87 p 5

[Text]

STATING, "I am satisfied," a beaming Prime Minister A.N.R. Robinson was ushered up the steps to party headquarters on Albion Street late Monday night to be met outside by National Alliance for Reconstruction (NAR) deputy leader Karl Hudson-Phillips and general-secretary Dr Beau Tewarie.

Inside the headquarters, candidates, activists and other party officials waited to press palms with the Prime Minister. After a short television interview and conference with his confreres, Robinson hosted a press conference well-attended by the media.

Asked what he felt about suggestions from the PNM that the election had favoured them, Robinson noted there was more than one aspect to the question.

PNM supporters and officials were quoted as saying that the result showed the PNM had "improved sharply," done "extremely well," and made an "impressive showing," while PNM political leader Patrick Manning said all those who thought the PNM was finished would think otherwise as a result of the election.

"If they are saying that the PNM had favourable results in the election, that is ridiculous," the Prime Minister declared. "Quite clearly the NAR has won the election and the PNM is in a worse position than it was before."

If the question asked was whether the circumstances in which the election was held should have produced better results for the PNM, Robinson added, then he agreed.

"The ground on which we played favoured the Opposition," he maintained. "There was quite clearly a difficult economic situation and we had to take measures which resulted in some degree of dissatisfaction which we had to explain to the population."

The campaign provided the ideal opportunity to explain these matters to the electorate.

"So the NAR took the opportunity in the campaign to explain the Government's measures to the population—with the results you have seen."

Asked about the process of decentralisation and when it would get under way, Robinson said the process had already

begun at different levels, including bringing services closer to the people in their areas, initiatives taken by the Ministry of Works, and the setting up of 'school boards for some state schools.

Robinson highlighted the importance of having carried out another democratic election here just nine months after the general election. He stressed the importance of channelling the energies of protest into the election campaign, at a time when this country should not be seen to be experiencing social turmoil.

"We need to read the results of the election because I don't think they speak for themselves," he went on. "I don't think they speak for themselves because so many issues were raised before the elections and the state of the country was such that one got the impression Trinidad and Tobago was in the process of disintegrating and the Government was about to fall."

The Prime Minister said he felt it was very important to emphasise what the population had done by speaking with such an authentic voice and by giving such extensive support to the Government.

Asked whether he thought Morris Marshall M.P. would resign as he said he intended to, Robinson said he had never taken Marshall seriously. By midnight the mood of celebration was high for the NAR, though some candidates who had lost had to be consoled as well.

Most final results had been broadcast by midnight.

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8 Feb. 1988